

**WESTERN WASHINGTON UNIVERSITY
BOARD OF TRUSTEES
AGENDA**

FRIDAY, December 11, 2015

Location: Old Main 340

Time: 8:00 a.m.

1. CALL TO ORDER AND APPROVAL OF MINUTES

8:00

- October 8 & 9, 2015
- November 2, 2015
- November 6, 2015
- November 17, 2015
- November 24, 2015

2. PUBLIC COMMENT

8:00 – 8:10

3. BOARD CHAIR

8:10 – 8:25

- Resolution 2015-12 Welcoming John M. Meyer
- Resolution 2015-13 Welcoming Mo West

4. UNIVERSITY PRESIDENT

8:25 – 8:30

5. ASSOCIATED STUDENTS

8:30 – 8:35

6. FACULTY SENATE

8:35 – 8:40

ACTION ITEMS

7. CONSENT ITEMS

8:40 – 8:45

- Approval of Fall Quarter Degrees

8. AGREEMENT BETWEEN FOUNDATION AND TRUSTEES UPDATE

8:45 – 8:50

Presentation: Stephanie Bowers, Vice President for University Advancement

8:50 – 8:55

Discussion

9. APPROVAL OF 2015-2016 INTERNAL AUDIT AND CONSULTING SCHEDULE, AND ACCEPTANCE OF 2014-2015 ANNUAL REPORT

- 8:55 – 9:00 Presentation: Brian Sullivan, Acting Vice President / Assistant Vice President
for Business and Financial Affairs
- 9:00 – 9:05 Discussion

10. APPROVAL OF PRESIDENTIAL SEARCH CANDIDATE EVALUATION CRITERIA

- 9:05 – 9:20 Presentation: Sue Sharpe, Chair, Presidential Search Advisory Committee
- 9:20 – 9:35 Discussion

11. PROPOSED PRESIDENTIAL CONTRACT AMENDMENTS

- 9:35 – 9:40 Presentation: Trustee Betti Fujikado
Trustee Chase Franklin
- 9:40 – 9:50 Discussion

DISCUSSION ITEMS

12. WSU NORTH PUGET SOUND AT EVERETT

- 9:50 – 10:05 Presentation: Bob Drewel, Senior Advisor to President Dan Bernardo, Washington
State University
- 10:05 – 10:20 Discussion

Break – 10 min 10:20 – 10:30

13. DIVERSITY TASKFORCE STRATEGIC PLAN UPDATE

- 10:30 – 10:40 Presentation: Karen Dade, Co-Chair of the President's Taskforce on Equity, Inclusion
and Diversity/Presidential Fellow
Nick Sanchez, Co-Chair of the President's Taskforce on Equity,
Inclusion and Diversity
- 10:40 – 11:00 Discussion

14. PRESIDENTIAL SEARCH UPDATE

- 11:00 – 11:10 Presentation: Sue Sharpe, Chair, Presidential Search Advisory Committee
- 11:10 – 11:20 Discussion

15. OLYMPIA UPDATE

- 11:20 – 11:30 Presentation: Becca Kenna-Schenk, Government Relations Director
- 11:35 – 11:40 Discussion

16. CAMPAIGN UPDATE

- 11:40 – 11:45 Presentation: Tim Syzmanowski, Associate Vice President for Development and
Leadership Giving

17. AUDIT COMMITTEE REPORT

- 11:45 – 11:50 Presentation: Trustee Betti Fujikado, Chair, Board of Trustees Audit Committee

18. BOARD GOVERNANCE COMMITTEE REPORT

11:50 – 11:55 Presentation: Trustee Sue Sharpe, Chair, Board Governance Committee

19. INFORMATION ITEMS

11:55 – 12:00

- a. Academic Affairs Report
- b. Quarterly Grant Report
- c. Admissions and Enrollment Report
- d. University Advancement Report
- e. Capital Program Report
- f. University Relations and Community Development Report
- g. 2014-2015 University Financial Report
- h. 2015 Housing & Dining System Financial Report
- i. 2015 Wade King Student Recreation Center Financial Report
- j. 2015 AS Bookstore Financial Report
- k. 2015 Parking Services Financial Report
- l. Student Right to Know/Clery Act

20. DATE FOR NEXT REGULAR MEETING: February 11, 12, 2016 in Seattle at the Washington Athletic Club

21. ADJOURNMENT

22. LUNCH

- University Academic Presentation
 - Keith Russell, Chair, Health and Human Development
 - Recreation Degree Program

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees
FROM: President Bruce Shepard
DATE: December 11, 2015
SUBJECT: **Approval of the Minutes**
PURPOSE: Action Items

Purpose of Submittal:

Approval of the Board of Trustees Meeting Minutes.

Proposed Motion:

MOVED, that the Board of Trustees of Western Washington University, upon the recommendation of the president, approve the following minutes:

- Approval of the Minutes of the Board of Trustees Meeting,
 - October 8 & 9, 2015

- Approval of the Minutes of the Special Board of Trustees Meeting,
 - November 2, 2105
 - November 6, 2015
 - November 17, 2015
 - November 24, 2015

Supporting Information:

Minutes of October 8 & 9, 2015 with attachment
Minutes of November 2, 2105
Minutes of November 6, 2015
Minutes of November 17, 2015
Minutes of November 24, 2015

**WESTERN WASHINGTON UNIVERSITY
BOARD OF TRUSTEES
MEETING MINUTES
THURSDAY, October 8, 2015**

1. CALL TO ORDER

Chair Karen Lee called the regular meeting of the Board of Trustees of Western Washington University to order at 3:00 p.m. on Thursday, October 8, 2015 in the Board of Trustees Conference room, Old Main 340, at Western Washington University in Bellingham, Washington.

Board of Trustees

Karen Lee, Chair
Sue Sharpe, Vice Chair
Betti Fujikado
Chase Franklin
Earl Overstreet
Seth Brickey

Western Washington University

Bruce Shepard, President
Brent Carbajal, Provost and Vice President for Academic Affairs
Eileen Coughlin, Senior Vice President and VP for Enrollment and Student Services
Brian Sullivan, Assistant Vice President for Business and Financial Affairs
Stephanie Bowers, Vice President for University Advancement
Belina Seare, Associated Students President
Molly Ware, Faculty Senate President
Roger Leishman, Assistant Attorney General
Paul Cocke, Director, University Communications
Karen Dade, President's Administrative Leadership Program Fellow
Paul Dunn, Senior Executive Assistant to the President
Barbara Sandoval, Assistant to the President and Secretary to the Board of Trustees
Elissa Hicks, Assistant Secretary to the Board of Trustees

Chair Karen Lee opened the meeting by asking for a moment of silence to honor the victims of the recent events at Umpqua Community College in Roseburg, Oregon.

2. WESTERN CARES – COMMITTED TO BUILDING A HEALTHY CAMPUS COMMUNITY

Eileen Coughlin, Senior Vice President & Vice President for Enrollment and Student Services gave a brief overview of various health programs and initiatives offered at Western. She then introduced the participating panelists.

- Sara Wilson, Special Assistant to the Vice President, Enrollment and Student Services
- Dr. Farrah Greene-Palmer, Suicide Prevention Project Manager
- Catharine Vader, Registered Nurse/Wellness Outreach Center Coordinator
- Leslie Hall, Library/Archive Paraprofessional 6, Wilson Library

- Stevona Burks, Western Graduate
- Phaolan Class, Western Sophomore
- Esmeralda Hernandez, Western Junior
- Corinne Sudduth, Western Senior
- Dillon van Rensburg, Western Senior

Catherine Vader gave an overview of the BEST SELF health promotion model which was recently introduced on campus. The model is based on six main virtues and 24 characteristics that, when practiced, help to create a strong sense of well-being and increased resiliency. Vader said that students, staff and faculty across campus have been both leading and participating in workshops and that because the model is inclusive, simple, and flexible allows it to be adaptable to any venue or situation on campus, and has proven easy for individuals to implement as an everyday practice.

Dillon van Rensburg and Esmeralda Hernandez both provided personal example of how their personal use of BEST SELF has helped them to conquer some of their personal challenges while attending school. Vader has found that students are also using it for interpersonal issues such as practicing kindness during stressful times, dealing with difficult team/group work dynamics, and to self-manage anxiety, which in turn decreases the need for outside or university assistance.

Dr. Farrah Greene-Palmer provided the Board with an overview of the BRAVE program, saying that in 2013 Western received a federally funded grant to support suicide prevention initiatives. The BRAVE program is a multi-faceted effort that has involved collaboration from across the campus and includes outreach to at-risk identity groups at Western including queer students, Native American students, veterans, and men. BRAVE uses “upstream” prevention methods – addressing students’ needs when they report emotional distress and not at the point when they are in crisis. BRAVE initiatives include: providing an online training tool for faculty, paraprofessional student leaders and students; developing and hosting campus-wide suicide/mental health awareness events; and promoting Western’s values as a caring and supportive community. When students are identified as candidates for mental health intervention, the Counseling Center is able to step in with after-hours on-call services and same-day appointments for urgent needs.

Western students Stevona Burks, Phaolan Class and Corinne Sudduth gave personal examples of how being involved in the administrative side of the BRAVE program has helped them personally and how they see it making a difference on campus with their peers.

Trustees had questions regarding how students get access to these programs, the awareness level students have of the programs and the programs were being adopted into the Western campus culture. Vice President Coughlin responded by saying that as the needs and challenges Western students face continue to change her office continues to adapt various programs in response and tries to strengthen the university’s efforts to provide culturally competent services. She also said that the demands for services on campus have outpaced state financial support. Coughlin also said that BEST SELF and BRAVE are both relatively new programs, but that support is growing on campus. She noted that BRAVE is a grant-funded program which will need support to continue after the current biennium.

3. CAMPUS EQUITY AND INCLUSION FORUM

Nick Sanchez, Co-Chair of the President’s Taskforce on Equity, Inclusion and Diversity provided an overview of the upcoming Campus Equity and Inclusion Forum. He said the forum came about because of President Shepard’s 2014 Fall Convocation address where he challenged the campus community to more fully embrace its mission to reflect the increasing diversity of its current and

prospective students, faculty and staff. In November of 2014 the President's Taskforce on Equity, Inclusion and Diversity started to solicit suggestions and volunteers to develop new and additional trainings. Over 25 faculty and staff volunteered to teach workshops on a variety of topics, thus the Diversity & Equity Training series was organized to assist Western in achieving its strategic goals related to diversity.

The WWU Campus Equity and Inclusion Training Series is a university-wide initiative to empower members of the Western campus community to better understand and thoughtfully engage with the experiences and identities of all community members. Sanchez explained that the mission of the training series is twofold: 1) To honor and endorse existing training and engagement opportunities for Western employees to expand their critical cultural consciousness; 2) To provide a single portal for Western faculty and staff to register for diversity-related training and events. The Equity and Inclusion Training Series welcomes staff and faculty from across the university to attend, design and lead its workshops. Sanchez said that as individuals complete one workshop from each of the four conceptual areas over the course of an academic year, they will receive a certificate of lifelong learning.

Trustees were interested in the subject and asked questions about campus engagement and goals for the program at the end of the year. They also expressed that they found the presentation very informative and valuable in their understanding of campus issues.

4. EXECUTIVE SESSION MAY BE HELD TO DISCUSS PERSONNEL, REAL ESTATE AND LEGAL ISSUES AS AUTHORIZED IN RCW 42.30.110.

At 4:35 p.m. Chair Lee announced that the Board would convene in Executive Session for approximately 25 minutes to discuss a legal and personnel matter as authorized in RCW 42.30.110 (1)(g)&(i).

The Board returned to open meeting at 6:03 p.m. with no action to report and adjourned until Friday, October 9th at 9:00am.

**WESTERN WASHINGTON UNIVERSITY
BOARD OF TRUSTEES
MEETING MINUTES
FRIDAY, October 9, 2015**

Breakfast with the 2015 Convocation Award recipients in the Solarium.

The Trustees, President Shepard and Vice Presidents enjoyed breakfast with the 2015 Convocation Award recipients.

- Don Alper, Outstanding Faculty Leadership Award
- Margaret Gegenhuber, Outstanding Classified Staff Award
- Casey Hayden, Professional Staff Organization Award
- Marie Eaton, Diversity Achievement Award
- Heather Davidson, Carl H. Simpson Bridging Award
- Vernon Damani Johnson, Philip E. Sharpe Jr., Community Engagement Award
- Institute for Energy Studies Team, Team Recognition Award

1. CALL TO ORDER AND APPROVAL OF MINUTES

Chair Karen Lee called the regular meeting of the Board of Trustees of Western Washington University to order at 9:04 a.m. on Friday, October 9, 2015 in the Board of Trustees Conference room, Old Main 340, at Western Washington University in Bellingham, Washington.

Board of Trustees

Karen Lee, Chair
Sue Sharpe, Vice Chair
Betti Fujikado
Chase Franklin
Earl Overstreet
Seth Brickey

Western Washington University

Bruce Shepard, President
Brent Carbajal, Provost and Vice President for Academic Affairs
Eileen Coughlin, Senior Vice President and VP for Enrollment and Student Services
Brian Sullivan, Assistant Vice President for Business and Financial Affairs
Stephanie Bowers, Vice President for University Advancement
Belina Seare, Associated Students President
Molly Ware, Faculty Senate President
Roger Leishman, Assistant Attorney General
Paul Cocke, Director, University Communications
Karen Dade, President's Administrative Leadership Program Fellow
Paul Dunn, Senior Executive Assistant to the President
Barbara Sandoval, Assistant to the President and Secretary to the Board of Trustees
Elissa Hicks, Assistant Secretary to the Board of Trustees

There were no changes to the draft minutes as distributed.

- MOTION 10-01-2015: Trustee Brickey moved that the Board of Trustees of Western Washington University, upon the recommendation of the President, approve the following minutes:
- Board of Trustees Meeting, August 20, 2015
 - Board of Trustees Special Meeting, August 21, 2015

The motion passed.

2. PUBLIC COMMENT

As per Amended RCW 28B.35.110, the Board of Trustees provided time for public comment. One person signed up to testify before the Board, and Chair Lee gave him two minutes to address the Board.

Mr. Gary R. Best, father of a current Western student, who also provided public comment at the June Board meeting, expressed his concerns with the treatment of his daughter during several medical incidents while she was participating on the Western Softball Team.

3. RECOGNITIONS AND INTRODUCTIONS

Eileen Coughlin, Senior Vice President and Vice President for Enrollment and Student Services asked Belina Seare, Associated Students (AS) President to introduce the members of the 2015-2016 AS Board of Directors. Seare said that some of the Board members were unable to attend the meeting and then introduced Abby Ramos, AS Vice President for Diversity who is a junior majoring in communications and public relations with a Spanish and English minor.

4. BOARD CHAIR

Chair Lee congratulated the university and all those involved with the work that lead to Western receiving the 2015 Active Minds Healthy Campus Award, which recognized our campus for our cohesive, innovative public health approach to student health and wellness. The Active Minds award is a national organization which celebrates U.S. colleges and universities that are prioritizing health and demonstrating innovation and excellence in promoting student well-being. Chair Lee said that after hearing the presentations the previous day regarding the BEST SELF and BRAVE programs on campus that the Active Minds award was well deserved and that she was impressed by both programs and how they are meeting the needs of students.

Chair Lee mentioned that the presidential search process continues and that trustees will be on campus a little more to be engaged in that process and that it is an exciting time for everyone. She also mentioned that she appreciates the public comment session we have at board meetings and that she believe it is part of what makes a public university great in that people are always given access to the university.

5. UNIVERSITY PRESIDENT

President Shepard introduced Karen Dade, President's Administrative Leadership Program Fellow, saying that Karen will serve from September 15, 2015 until June 16, 2016. Shepard said that he designed the President's Administrative Leadership Program to provide a Western faculty or staff

member the opportunity for professional development through direct engagement in projects and responsibilities of strategic importance to the University. In addition to working on projects selected in agreement with the President, the Leadership Fellow will attend meetings of the Board of Trustees, participate fully in the President's Cabinet, and, as relevant to the Fellow's projects, participate in meetings of the Vice Presidents. President Shepard said that Presidential Leadership Fellows will typically be appointed for nine months and will be selected from currently tenured members of the faculty, academic administrators, or other full-time staff members. The typical appointment will be for half the Fellow's professional efforts, and upon completion of their fellowship, they will return to their previous academic or administrative role.

President Shepard also gave a brief update on the Armory and said that the planned transfer to the Foundation is still in the works, but is nearing completion and that he will continue to keep the Board updated on the progress.

President Shepard asked Brian Sullivan, Assistant Vice President for Business and Financial Affairs to provide the Board with a brief summary of the Morse Hall fire incident and the clean-up efforts. Sullivan said that on August 25, a small fire broke out in a lab on the third floor of the Chemistry Building which led to an evacuation of the building. The sprinklers in the building put out the fire, and no injuries were reported. Sullivan said that the university promptly hired emergency recovery and restoration contractor Belfor for the project, who was on-site the next day to begin. Belfor and university personnel worked closely together to clean up and repair damage to the building which allowed the building to be reopened in time for the start of fall quarter classes on September 24.

Sullivan said that restoration work continues on the fire-damaged lab (room 370), and the estimated damage to the building could be up to \$1.9 million, which includes cleanup, restoration and replacement of equipment and materials. The university will be seeking funding from a state emergency fund to help with the costs.

6. ASSOCIATED STUDENTS

Belina Seare, AS President said that so far this quarter the AS has been working on requests from the Presidential Search Advisory Committee (PSAC) and working with the students on nominations for the PSAC. She also said that the AS is working on internal and structural reviews and looking at setting priorities for the upcoming year. Trustee Sharpe, chair of the PSAC thanked Belina for and the AS Board for their efforts with the search process.

7. FACULTY SENATE

Molly Ware, Faculty Senate President said that the senate has also been busy working on the presidential search efforts and on getting nominations for the PSAC. Ware said the senate has been working on visioning for the coming year with a continued focus on campus climate and inclusive excellence from last year, clarifying the faculty senate role and increased engagement in the work of shared governance, strengthening collaboration and trust across roles (faculty, staff, student, administration) and creating more dynamic communication processes. She also said that two senate task forces are being formed to work on time sensitive issues. The first is the General Undergraduate Requirements (GUR) Task Force which will look at how Western might refresh/renew the GURs and still meet accreditation standards. The second task force will be the Library Committee which will address the huge financial shortfalls that the library anticipates it will face in the coming year.

8. ELECTION OF BOARD SECRETARY

Chair Lee said that according to the Board Rules of Operation the Board needs to elect a new Board Secretary to fulfill the remainder of former Trustee Dick Thompson's term until June of 2016. Chair Lee nominated, and it was seconded, that Trustee Earl Overstreet be the new Board Secretary.

MOTION 10-02-2015: Trustee Sharpe moved that the Board of Trustees of Western Washington University elect the new Board Secretary as nominated, to be effective immediately.

- Earl Overstreet, Secretary

The motion passed.

9. RESOLUTION FOR MORSE HALL FIRE EFFORTS

President Shepard and trustees expressed their appreciation to all those involved in the efforts to restore Morse Hall after the fire noting that having it open for students was a massive effort and they are looking forward to formally recognizing everyone's work with a resolution. Brian Sullivan, Assistant Vice President for Business and Financial Affairs asked if there were any further questions about the event and thanked the trustees for their recognition of the effort of all involved.

Trustee Lee asked Trustee Franklin to read Resolution 2015-11 Expressing Appreciation of Morse Hall Fire Efforts and make the motion.

RESOLUTION NO. 2015-11

A RESOLUTION OF THE BOARD OF TRUSTEES OF WESTERN WASHINGTON UNIVERSITY

EXPRESSING APPRECIATION OF MORSE HALL FIRE EFFORTS

WHEREAS, the Morse Hall Fire occurred on August 25, 2015; and

WHEREAS, in the midst of an already active construction schedule, unexpected responsibilities following the August 25, 2015 fire in Morse Hall were shouldered by staff and contractors who competently and expeditiously managed and carried out the repair of smoke and water damage to the building; and

WHEREAS, the effective teamwork of many individuals, including administrators, faculty, staff, students, communication and information technology specialists, classroom support technicians, procurement and supply specialists, budget analysts, campus safety personnel, custodians and maintenance workers, and skilled trades people has earned the confidence and praise of Western's administration and Board of Trustees; and

WHEREAS, having Morse Hall ready on time for the opening of classes was an extraordinary accomplishment;

NOW, THEREFORE BE IT RESOLVED, that the Board of Trustees of Western Washington University sincerely thanks the many staff and contractors who have been instrumental in the success of this project.

PASSED AND APPROVED by the Board of Trustees of Western Washington University at its regular meeting on October 9, 2015.

MOTION 10-03-2015: Trustee Franklin moved that the Board of Trustees approve Resolution 2015-11 Expressing Appreciation of Morse Hall Fire Efforts.

The motion passed.

10. FALL OPENING REPORT

Eileen Coughlin, Senior Vice President & VP for Enrollment and Student Services gave a brief report regarding this year's enrollment.

She said that Western welcomed over 2,800 freshmen to the campus this fall and over 1,000 new transfer students. According to the chart in **Attachment A** which was provided to the trustees, the enrolled freshmen are more diverse and an increased number are first generation students which reflects Washington high school graduates. Coughlin said that campus housing move-in went well and welcomed 4,026 students into the residences halls. She also said that each student was provided a copy of the selected Western Reads book "Do It Anyway: The New Generation of Activists" by Courtney E. Martin which profiles the lives and motivations of 8 activists under the age of 35 to paint a portrait of activism in the 21st century.

Trustees were grateful for the new freshmen statistic breakdown and had questions about funding and services for these new students with an interest in making sure the resources went to help the students where they are needed the most to help them be successful.

11. UPDATES: POULSBO MARINE SCIENCE BUILDING AND UNIVERSITY CENTER OF NORTH PUGET SOUND

Brent Carbajal, Provost & Vice President for Academic Affairs and Earl Gibbons, Vice Provost for Extended Education provided the Board a brief update regarding Western's activities in Poulsbo and Everett, Washington.

Gibbons talked about recent actions taken by the Poulsbo City Council regarding the Poulsbo Marine Science Building, saying that on August 12, 2015 the council approved a memo of intent for transfer of the property to WWU. He said they also approved a limited real estate appraisal to help clarify property boundaries with the Port of Poulsbo and other neighboring properties. Gibbons outlined some recent maintenance work that the city council and Poulsbo Marine Science Center Foundation had done on the building such as HVAC work, overall cleanup, re-certification of elevator, fire and sprinkler system testing, pressure washing, interior door repair, new exterior stair banister and new exterior doors in classrooms.

Gibbons then discussed the official groundbreaking in September for the new University Center of North Puget Sound. He said that although the new facility will be operated by Washington State University, Western Washington University continues to be the largest of the eight university partners sharing the facility, both in terms of enrollment and number of employees. WSU expects the new building to be ready for occupancy for fall 2016 said Gibbons, but that the Washington State Legislature, did not fully fund the project and the entire building may not be completed by the scheduled opening date.

Trustees were grateful for the update on the progress and there were no questions.

Chair Lee announced a break at 10:22 am and reconvened the meeting at 10:37 am.

12. PRESIDENTIAL SEARCH PROCESS

Trustee Sue Sharpe, Chair of Presidential Search Advisory Committee (PSAC) said that the presidential search website is up and running and that there has been great campus engagement in the process so far. Sharpe said that the PSAC committee will be made up of 14 total members, 3 trustees, 3 faculty members, 3 students, 1 professional staff, 1 classified staff and 2 community members adding that nominations are due from the stakeholder groups on October 15th. Next steps in the process include selection of the committee members, several on and off campus listening sessions to gather information from the campus community and external stakeholders, Sharpe said. The PSAC is hoping to have the job description and advertisement out by thanksgiving with the goal of reviewing applicants by the end of January or early February. Sharpe said that the PSAC will continue to strive for open communication with campus stakeholders throughout the process.

13. CAMPAIGN UPDATE

Stephanie Bowers, Vice President for University Advancement said that as of October 9th the campaign stood at \$58.87 million dollars raised. Bowers also said that by the end of the day the foundation would hopefully finalize a donor gift of an art piece valued at nearly half a million dollars that will be counted towards the campaign goal.

14. AUDIT COMMITTEE REPORT

Betti Fujikado, Chair, Board Audit Committee said that the committee welcomed Trustee Karen Lee as the newest member and gave her a crash course on the work of the committee during the meeting. Trustee Fujikado then said the committee reviewed the internal audit report for the coming year and hopes to bring it to the full board for approval in December and looks forward to reporting on the State Auditor's report as well.

15. BOARD GOVERNANCE COMMITTEE REPORT

Sue Sharpe, Chair, Board Committee on Trustees gave a brief report on the committee. Sharpe said the committee continues to work on improving the new trustee orientation process in the hopes that Western will have new governor appointed trustees soon.

16. INFORMATION ITEMS

a. Academic Affairs Report

Provost Carbajal provided a written report with information regarding Vice Provost for Undergraduate Education, Steven VanderStaaay, efforts in regarding the university's Freshman Interest Groups (FIG) program.

b. Admissions and Enrollment Report

Vice President Coughlin provided a written report regarding the university's general enrollment and admissions.

c. Capital Program Report

Vice President Van Den Hul provided a written report on the University's capital projects.

d. University Advancement Report

Vice President Bowers provided a written report on the University's Alumni Relations and Western Foundation activities.

e. University Relations and Community Development Report

Vice President Swan provided a written report documenting recent activities of University Relations and Community Development.

f. WWU Annual Report

Vice President Swan provided the Western Washington University Annual Report for 2014-2015 academic year.

17. DATE FOR NEXT REGULAR MEETING: December 10, 11, 2015

18. The meeting adjourned at 11:02 a.m.

Official Fall Enrollment 2015

All WWU Students

	All Students		On-Campus State-Funded	
	Fall 2014	Fall 2015	Fall 2014	Fall 2015
All Students	15,060	15,332	14,260	14,426
<i>Change</i>		272		166
<i>Percent Change</i>		1.8%		1.2%
Residency				
Non-Resident	1,502	1,639	1,434	1,573
Resident	13,558	13,693	12,826	12,853
Percent Non-Resident	10.0%	10.7%	10.1%	10.9%
<i>Non-Resident Change</i>		137		139
<i>Percent Change</i>		9.1%		9.7%
First Generation				
First Generation	4,834	5,028	4,620	4,760
not First Generation	10,226	10,304	9,640	9,666
Percent First Generation	32.1%	32.8%	32.4%	33.0%
<i>First Generation Change</i>		194		140
<i>Percent Change</i>		4.0%		3.0%
Race/Ethnicity				
	Fall 2014	Fall 2015	Fall 2014	Fall 2015
White	11,217	11,228	10,634	10,545
Black or African American	468	520	442	492
Hispanic or Latino	994	1,083	926	1,027
Asian American	1,655	1,735	1,598	1,668
Native American or AK Native	433	461	417	435
International	157	159	148	155
Other/Multicultural		8		5
Unknown Race/Ethnicity	136	138	95	99
All Students	15,060	15,332	14,260	14,426
<i>Students of Color</i>	<i>3,550</i>	<i>3,807</i>	<i>3,383</i>	<i>3,627</i>
Percent Students of Color	23.6%	24.8%	23.7%	25.1%
<i>Student of Color Change</i>		257		244
<i>Percent Change</i>		7.2%		7.2%

New Undergraduate Students

	Freshman		Transfer	
	Fall 2014	Fall 2015	Fall 2014	Fall 2015
All New Freshmen	2,786	2,809	1,108	1,161
<i>Change</i>		23		53
<i>Percent Change</i>		0.8%		4.8%
Residency				
Non-Resident	344	404	73	78
Resident	2,442	2,405	1,035	1,083
Percent Non-Resident	12.3%	14.4%	6.6%	6.7%
<i>Non-Resident Change</i>		60		5
<i>Percent Change</i>		17.4%		6.8%
First Generation				
First Generation	906	944	477	537
not First Generation	1,880	1,865	631	624
Percent First Generation	32.5%	33.6%	43.1%	46.3%
<i>First Generation Change</i>		38		60
<i>Percent Change</i>		4.2%		12.6%
Race/Ethnicity				
	Fall 2014	Fall 2015	Fall 2014	Fall 2015
White	1,973	1,934	846	861
Black or African American	104	121	28	44
Hispanic or Latino	202	245	89	86
Asian American	379	391	86	94
Native American or AK Native	108	84	34	50
International	11	12	17	14
Other/Multicultural		3		
Unknown Race/Ethnicity	9	19	8	12
All Students	2,786	2,809	1,108	1,161
<i>Students of Color</i>	<i>793</i>	<i>844</i>	<i>237</i>	<i>274</i>
Percent Students of Color	28.5%	30.0%	21.4%	23.6%
<i>Student of Color Change</i>		51		37
<i>Percent Change</i>		6.4%		15.6%

* This document was presented at the Board meeting and has been added to the meeting packet after the presentation.

**WESTERN WASHINGTON UNIVERSITY
BOARD OF TRUSTEES
MEETING MINUTES
Monday, November 2, 2015**

1. CALL TO ORDER

Chair Karen Lee called the special meeting of the Board of Trustees of Western Washington University to order at 10:06 a.m., Monday, November 2, 2015 in the Board of Trustees Conference Room, Old Main 340, at Western Washington University in Bellingham, Washington.

Board of Trustees

Karen Lee, Chair
Sue Sharpe, Vice Chair
Earl Overstreet, Secretary
Betti Fujikado
Chase Franklin
Mo West
Seth Brickey

Western Washington University

Bruce Shepard, President
Brent Carbajal, Provost and Vice President for Academic Affairs
Richard Van Den Hul, Vice President for Business and Financial Affairs
Steve Swan, Vice President for University Relations and Community Development
Molly Ware, Faculty Senate President
Roger Leishman, Assistant Attorney General
Paul Cocke, Director, University Communications
Paul Dunn, Senior Executive Assistant to the President
Barbara Sandoval, Assistant to the President and Secretary to the Board of Trustees
Elissa Hicks, Assistant Secretary to the Board of Trustees

2. EXECUTIVE SESSION MAY BE HELD TO DISCUSS PERSONNEL, REAL ESTATE AND LEGAL ISSUES AS AUTHORIZED IN RCW 42.30.110.

At 10:06 a.m. Chair Lee announced that the Board would convene in Executive Session for approximately 30 minutes to discuss a personnel matter as authorized in RCW 42.30.110 (1)(g).

The Board returned to open meeting at 10:42 a.m. with no action to report and continued with the open meeting.

3. PRESIDENTIAL SEARCH PROCESS

Trustee Sue Sharpe, Chair of the Presidential Search Advisory Committee (PSAC) provided a brief overview of events related to the search to date and said the search had recently reached a new milestone by finalizing the selection of the members of the PSAC, that she proceeded to introduce to the board.

- Spencer Anthony-Cahill, Professor, Chemistry Department
- Stephanie Cheng, Sophomore, Journalism & Public Relations
- Chase Franklin, Trustee, Western Washington University
- Jim Graham, Associate Professor, Psychology
- Kathi Hiyane-Brown, President, Whatcom Community College
- Aaron Ignac, Assistant Director of Operations, Academic & Career Services
- Kathy Kitto, Vice Provost for Research, Dean of the Graduate School
- Kim Kolb Ayre, Program Manager, Dean's Office, College of Humanities & Social Sciences
- Karen Lee (ex officio), Chair, Western Washington University Board of Trustees
- Trula Nicholas, Associate Professor, Health and Community Studies
- Leona Oliveros, Master's student, Secondary Education
- Earl Overstreet, Trustee, Western Washington University
- Jerry Thon, Founder, Astoria Holdings
- Tyler Tran, Master's student, Environmental Science

Trustee Sharpe announced that Greenwood/Asher & Associates, a leading national search firm specializing in higher education, was selected to assist and advise Western's presidential search. She introduced Jan Greenwood, President and Partner, who will be the lead representative during the search.

Greenwood shared with the trustees some of the changes that have occurred in the national market with regard to higher educational administrative positions since Western's last search in 2008. She said that the candidate pool is aging and becoming more diverse and that a public versus private search process will produce a very different pool of candidates. Greenwood also reaffirmed her company's commitment to diversity, integrity, fairness and equality throughout the entire search process and commended the university on the open and transparent process it has achieved so far. She also commented on the level of participation during the campus listening sessions and survey feedback and said that it is the most participation her company has seen in almost 23 years. Her final comment related to the transition process after a selection has been made, saying that a candidate who follows after a long term successful president averages only three years in their new position without effective transition support.

Greenwood asked the trustees what they thought would be the most important attributes of a successful candidate based on where they see Western headed in the next five to ten years. Trustees responded with general feedback such as strategic leader, commitment to transparency and collaboration, innovative, sense of perspective for the future both in higher education in general and in communication trends, being able to engage the community and the legislature.

4. RESOLUTION 2015-09 CHARGE TO THE PRESIDENTIAL SEARCH ADVISORY COMMITTEE

Trustee Lee asked Trustee Fujikado to read Resolution No.2015-09 Charge to the Presidential Search Advisory Committee.

RESOLUTION 2015-09

A RESOLUTION OF THE BOARD OF TRUSTEES OF WESTERN WASHINGTON UNIVERSITY

CHARGE TO PRESIDENTIAL SEARCH ADVISORY COMMITTEE

WHEREAS, President Bruce Shepard has announced his intention to retire from the Presidency of Western Washington University after the conclusion of the 2015-16 academic year; and

WHEREAS, the Board of Trustees is responsible for the timely selection and appointment of an individual to replace President Shepard as president of the University; and

WHEREAS, the Board of Trustees, through Resolution 2015-06, appointed Vice Chair Susan Sharpe to serve as Presidential Search Advisory Committee Chair and directed her to develop recommendations to the Board related to the search process, including with respect to the size and composition of the Presidential Search Advisory Committee; and

WHEREAS, the Board of Trustees, through Resolution 2015-08, adopted recommendations and made appointments of trustees to the Presidential Search Advisory Committee; and

WHEREAS, acting pursuant to Resolution 2015-08, the Board Chair and the Committee Chair will appoint individuals to serve on the Committee; and

WHEREAS, it is the Board's desire to provide clear direction to the Committee, now, therefore, be it

RESOLVED that the Charge to the Presidential Search Advisory Committee attached hereto be and the same hereby is approved.

Dated this 2nd day of November, 2015.

Board of Trustees Charge to the Presidential Search Advisory Committee

Background

Selection of the University President is the statutory responsibility of the Board of Trustees ("Board"). In discharging this responsibility, the Board seeks the assistance and advice from the faculty, staff, students, other constituencies and friends of the University. Accordingly, the Board is creating a Presidential Search Advisory Committee ("Committee"). The Committee will be comprised of individuals committed to the advancement of the University, who have been nominated by the leadership of their respective campus governance organizations. The members will bring diverse expertise, perspectives and experiences to the common task of advising the Board in preparation for the Board's evaluation of candidates for president of the University.

Of necessity, the considerable work of the Committee will require evening and weekend meetings. However, those who have served on past Presidential Search Advisory Committees have found it rewarding and manageable. Staffing will be provided and the Committee's efforts will be supported by Greenwood/Asher & Associates, a professional search consulting firm.

Charge

The Committee's initial task is to develop a list of qualifications and characteristics the next president should possess, based on feedback received from the on- and off-campus Western community through open forums and online stakeholder surveys. After receiving the report of the Committee regarding potential presidential qualifications, the Board will adopt criteria to be applied by the Committee in evaluating and interviewing candidates.

Within the timeframe established by the Board Chair and Committee Chair, the Committee is to submit to the Board a list of all candidates who meet the minimum qualifications along with the Committee's unranked recommendation of three to five candidates for the Board to consider inviting for final interviews. For each of the recommended candidates, the Committee is to provide a written statement explaining why he or she is considered to be suited to be president of the University.

In carrying out its duties, the Committee is expected to undertake the following activities:

- conduct a national search to enable the Board to consider a select group of highly qualified candidates;
- advertise the position by appropriate means;
- actively recruit candidates from a wide, diverse group of well-qualified individuals, including women, minorities and non-traditional applicants;
- maintain records of all nominations and applicants;
- screen applications using the criteria established by the Board;
- provide appropriate information about the University to the candidates;
- keep the candidates apprised of their status in the search;
- interview and conduct reference checks on all recommended candidates;
- ensure that the process is conducted with integrity, candidate confidentiality, and in compliance with all applicable laws and University policies.

The Committee's role is strictly advisory to the Board. The Committee is not authorized to conduct hearings, take testimony or public comment, or otherwise act on behalf of or exercise any of the powers of the Board.

The Committee understands that the Board Chair and the Chair of the Committee are the only persons authorized to engage in public communication concerning the search. The Chair of the Committee is the only person authorized to engage in public communication on behalf of the Committee.

Meetings of the Committee are not required to be open to the public and will generally be held privately.

The Committee and its members are required to maintain strict confidentiality during and after the search. All members will be required to sign a confidentiality agreement to ensure the integrity of the process.

The Board thanks the members in advance for devoting their time and considerable talents to the task of advising the Board concerning the evaluation of candidates for the president of the University.

Approved by the Board on the 2nd day of November, 2015.

MOTION 11-02-2015: Trustee Fujikado moved that the Board of Trustees approve Resolution 2015-09 Charge to the Presidential Search Advisory Committee.

Motion was approved.

5. The meeting adjourned at 11:55 a.m.

**WESTERN WASHINGTON UNIVERSITY
BOARD OF TRUSTEES
MEETING MINUTES
Friday, November 6, 2015**

1. CALL TO ORDER

Chair Karen Lee called the regular meeting of the Board of Trustees of Western Washington University to order at 10:00 a.m., Friday, November 6, 2015 in the Board of Trustees Conference Room, Old Main 340, at Western Washington University in Bellingham, Washington.

After Chair Lee called the meeting to order, she asked Trustee Sue Sharpe to run the meeting.

Board of Trustees

Karen Lee, Chair – *by phone*
Sue Sharpe, Vice Chair
Earl Overstreet, Secretary – *by phone*
Betti Fujikado – *by phone*
Chase Franklin - *by phone*
John M. Meyer – *by phone*
Mo West – *by phone*
Seth Brickey – *by phone*

Western Washington University

Bruce Shepard, President
Brent Carbajal, Provost and Vice President for Academic Affairs
Richard Van Den Hul, Vice President for Business and Financial Affairs
Steve Swan, Vice President for University Relations and Community Development
Molly Ware, Faculty Senate President
Roger Leishman, Assistant Attorney General
Paul Cocke, Director, University Communications
Paul Dunn, Senior Executive Assistant to the President
Elissa Hicks, Assistant Secretary to the Board of Trustees

2. CONSIDERATION OF CONTRACT WITH UFWW

President Shepard thanked all the members of the negotiation teams for their hard work, long hours and the respectful process. He introduced the faculty who were in attendance to support the contract, Dr. Chuck Lambert, United Faculty of Western Washington (UFWW) president and Associate Professor in Woodring College of Education; Dr. Kevin Leonard, Professor and Chair of the History Department; Dr. Mark Greenberg, Dean of Libraries; and Dr. Brian Burton, Associate Vice President for Academic Affairs. Shepard said that this contract renewal was not simply a faculty contract but a contract between equal partners. He pointed out some of the highlights in the contract and asked for Chuck Lambert to report on the ratification vote from the union.

Lambert said that the UFWW members had a chance to review and vote on the contract previously that week and that the votes were tallied on Thursday evening with 97% voting in favor of approving the contract. Lambert then also thanked the negotiation teams and the administration for providing a five year contract to the faculty which they see as providing some stability during a time of change for the University. He also pointed out that a technical error was discovered in the contract late the

previous day and that there will be a [Memorandum of Understanding](#) for signature shortly to correct the mistake.

Trustees expressed their gratitude for all the hard work that went into the contract and negotiation process as well and for the way that they were kept informed of the process. Trustees commented that the contract seems fair and equitable for all involved. There were no specific questions regarding the contract from the Trustees.

Trustee Sharpe then asked Trustee Lee to make the motion to officially approve the contract.

MOTION 11-02-2015: Trustee Lee moved that the Board of Trustees hereby approves the proposed [collective bargaining agreement](#) with the United Faculty of Western Washington.

The Board of Trustees authorizes the President or his designee to execute the agreement on behalf of the Board effective November 6, 2015, in keeping with the reserved authority in the Board of Trustees Rules of Operation, Section 2.3(h).

A roll call vote was taken with all Trustees voting in favor of the contract. Trustee Brickey recused himself from the vote because of his current student status.

3. The meeting adjourned at 10:22 a.m.

**WESTERN WASHINGTON UNIVERSITY
BOARD OF TRUSTEES
MINUTES
MONDAY, NOVEMBER 17, 2015**

1. CALL TO ORDER

Chair Karen Lee called the special meeting of the Board of Trustees of Western Washington University to order at 1:04 p.m., in the Boardroom, Old Main 340, in Bellingham, WA.

Board of Trustees

Karen Lee, Chair
Sue Sharpe, Vice Chair
Earl Overstreet, Secretary – *by phone*
Betti Fujikado
Chase Franklin
Mo West
John M. Meyer
Seth Brickey

Western Washington University

Bruce Shepard, President
Brent Carbajal, Provost and Vice President for Academic Affairs
Eileen Coughlin, Senior VP, Vice President for Enrollment and Student Services
Richard Van Den Hul, Vice President for Business and Financial Affairs
Stephanie Bowers, Vice President for University Advancement
Steve Swan, Vice President for University Relations and Community Development
Molly Ware, Faculty Senate President
Roger Leishman, Assistant Attorney General
Paul Cocke, Director of University Communications
Barbara Sandoval, Assistant to the President and Secretary to the BOT
Elissa Hicks, Assistant Secretary to the Board of Trustees
Paul Dunn, Senior Executive Assistant to the President

2. PRESIDENTIAL SEARCH PROCESS & APPROVAL OF POSITION DESCRIPTION

Trustee Sharpe and Jan Greenwood, President and Partner, Greenwood/Asher & Associates, updated the Board on the recent activity of the Presidential Search Advisory Committee (PSAC). They said that over the last couple of weeks the PSAC has held over 25 listening sessions with broad campus constituencies and collected and analyzed feedback from the online survey. Sharpe said that some efforts were more successful than others and some events were altered at the last minute to encourage greater participation. She said that overall Western's process had broken participation records in every category.

Sharpe said that strong leadership traits for the next president came from the listening sessions. She called some the "flavor of Western" which she said are examples of the excellent teamwork that has been present on campus over the last few years which include: accessible and transparent, good communication skills, focus on diversity and sustainability, legislative know how, strong academic background with a liberal arts foundation, a strong understanding of shared governance, good community outreach, strong fundraising/alternative funding skills. Greenwood said that all of

the feedback ended up shaping the recommended Position Description and the recommended Leadership Challenges, Opportunities and Expectations, and that the documents were a summary of all the input.

Trustees had questions about student engagement. Sharpe responded that there was more student participation through online resources than in person, but when they engaged students in small groups on campus, in-person participation was improved. Trustee Sharpe said that overall the committee has worked very well together and she feels that the PSAC has created a really spectacular document that showcases the strengths of Western and will attract quality candidates for the position.

Greenwood said that these documents, once approved, would be used by their firm to market the position and made into a professional document that would be sent to potential candidates and applicants. Sharpe requested one modification to the Recommended Position Description in the How to Apply section of the document. Before the fourth sentence a sentence should be added that says "For best consideration applications and materials should be received by January 20, 2016". Greenwood said that the document is truly inspiring, invites a higher level of candidate and is very authentic to the Western experience. She added that the document is forward looking and sets the ground work for a successful search.

Trustees thanked Trustee Sharpe for her leadership and the entire PSAC for their hard work over the past couple of weeks in creating these inspiring documents.

Trustee Lee asked Trustee Meyer to make the motion to approve the documents.

MOTION 11-03-2015 Trustee Meyer moved that the Board of Trustees of Western Washington University, on recommendation of the Chair of the Board and the Chair of the Presidential Search Advisory Committee, approve the Position Description, as modified, and the Leadership Challenges, Opportunities and Expectations document, to be used for advertisement and recruitment of the next President of Western Washington University.

A roll call vote was taken with all Trustees voting in favor.

Chair Lee announced a break at 2:51 p.m. The Board returned and reconvened the meeting at 2:59 p.m.

**3. EXECUTIVE SESSION MAY BE HELD TO DISCUSS PERSONNEL,
REAL ESTATE AND LEGAL ISSUES AS AUTHORIZED IN RCW 42.30.110.**
2:30 – 4:00

At 2:59 p.m. Chair Lee announced that the Board would convene in Executive Session for approximately ninety minutes to discuss personnel and legal matters as authorized in RCW 42.30.110 (1)(g)&(i).

The Board returned to open meeting at 4:47 p.m. with no action to report and adjourned the meeting.

**WESTERN WASHINGTON UNIVERSITY
BOARD OF TRUSTEES
MINUTES
Tuesday, November 24, 2015**

1. CALL TO ORDER

Chair Karen Lee called the special meeting of the Board of Trustees of Western Washington University to order at 7:30 a.m. on November 24, 2015, via a conference call.

Board of Trustees

Karen Lee, Chair – *by phone*
Sue Sharpe, Vice Chair – *by phone*
Earl Overstreet, Secretary – *by phone*
Betti Fujikado – *by phone*
Chase Franklin - *by phone*
John M. Meyer – *by phone*
Mo West – *by phone*

Western Washington University

Roger Leishman, Assistant Attorney General

2. EXECUTIVE SESSION

At 7:30 a.m. the Board convened in Executive Session to discuss personnel matters as authorized in RCW 42.30.110.

At 8:27 a.m. the Board convened in Open Session via conference call. No action was taken.

3. ADJOURNMENT

The meeting adjourned at 8:27 p.m.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: Bruce Shepard, President

DATE: December 11, 2015

SUBJECT: **Public Comment Period**

PURPOSE: Information Item

Purpose of Submittal:

RCW 28B.35.110 requires that the governing boards of regional universities provide for public comment at meetings and follow procedures for open public meetings in the Open Public Meetings Act.

Persons wishing to comment will sign in between 7:45 – 7:55 a.m. the day of the Board of Trustees meeting. The signup sheet will be given to the Board Chair at 8:00 a.m.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees
FROM: Karen Lee, Chair, Board of Trustees
DATE: December 11, 2015
SUBJECT: **Board Chair Report**
PURPOSE: Information Item

Purpose of Submittal:

Board Chair Karen Lee will report to members of the Board and President Shepard and his staff on topics related to the Board of Trustees.

- Resolution 2015-12 Welcoming John M. Meyer
- Resolution 2015-13 Welcoming Mo West

RESOLUTION NO. 2015-12

**A RESOLUTION OF THE BOARD OF TRUSTEES OF
WESTERN WASHINGTON UNIVERSITY**

WELCOMING TRUSTEE

John M. Meyer

WHEREAS, on October 21, 2015, Governor Jay Inslee appointed **JOHN M. MEYER** of Mount Vernon, Washington, to serve a term on the Western Washington University Board of Trustees through September 30, 2021; and

WHEREAS, JOHN M. MEYER brings to his appointment as a trustee over 40 years of legal and judicial experience as a Skagit County Superior Court and District Court judge, as a partner at Gilbert and Meyer Law Firm, and as a staff attorney with the Federal Power Commission in Washington, D.C.

WHEREAS, JOHN M. MEYER has received many honors over his professional career including the Washington State Association for Justice 2009 Judge of the Year award and induction into the Skagit Valley College Hall of Fame; and

WHEREAS, JOHN M. MEYER has shown his incredible commitment to community service by serving as a member on numerous boards, including the Board of Judicial Administration, the Sentencing Guidelines Commission Board, the Washington State Trial Lawyers Association Board, and Skagit Valley College Board; serving as chair of the Board of Judicial Administrations Court Education Committee, the Skagit County Law and Justice Board, and the Skagit Homeless Youth Task Force; serving as dean of the Washington State Judicial College; serving as treasurer of the Superior Court Judges' Association; and serving as president of the University of Washington Alumni Association Board, the Skagit County Bar Association, the Skagit Valley College Foundation, Mount Vernon Kiwanis, and the Skagit Valley Family YMCA; and

WHEREAS, JOHN M. MEYER received his Bachelor's degree in education from the University of Washington and his Juris Doctorate from the University of California Hastings College of Law; and

WHEREAS, JOHN M. MEYER has declared his commitment to serve as a member of the Western Washington University Board of Trustees; and

NOW, THEREFORE BE IT RESOLVED that the Board of Trustees of Western Washington University officially extends a warm welcome to **JOHN M. MEYER** as he begins his term on the Board.

PASSED AND APPROVED by the Board of Trustees of Western Washington University at its regular meeting on December 11, 2015.

RESOLUTION NO. 2015-13

**A RESOLUTION OF THE BOARD OF TRUSTEES OF
WESTERN WASHINGTON UNIVERSITY**

WELCOMING TRUSTEE

Maureen “Mo” West

WHEREAS, on October 21, 2015, Governor Jay Inslee appointed **MO WEST** of Bellingham, Washington, to serve a term on the Western Washington University Board of Trustees through September 30, 2021; and

WHEREAS, MO WEST brings to her appointment as a trustee years of extensive professional experience in nursing and government policy work with over 30 years in the nursing profession and by serving in Washington, D.C. for eight years as a legislative assistant with the U.S. Senate with the Senate Committee on Labor and Human Resources, Subcommittee on Disability Policy, and as a professional staff member to former U.S. Senator Robert Dole, responsible for legislation relating to various health, education, disability and social policy programs; and

WHEREAS, MO WEST also brings to her appointment academic experience serving as an instructor in Western’s RN-BSN program, as adjunct faculty in the School of Health Sciences at Seattle Pacific University, and as a current member of the faculty at the University of Washington, Bothell School of Nursing and Health Studies; and

WHEREAS, MO WEST has shown commitment to serve her community by actively participating in local non-profit boards including Mt. Baker Planned Parenthood, the Bellingham Festival of Music, PeaceHealth St. Joseph Medical Center Foundation, and the Brigid Collins Family Support Center; and

WHEREAS, MO WEST received her Bachelor’s degree in Nursing from the University of Iowa, her Master’s in Nursing from the Catholic University of America, and her Doctorate in Nursing from the University of Washington; and

WHEREAS, MO WEST has declared her commitment to serve as a member of the Western Washington University Board of Trustees; and

NOW, THEREFORE BE IT RESOLVED that the Board of Trustees of Western Washington University officially extends a warm welcome to **MO WEST** as she begins her term on the Board.

PASSED AND APPROVED by the Board of Trustees of Western Washington University at its regular meeting on December 11, 2015.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: Bruce Shepard, President

DATE: December 11, 2015

SUBJECT: **President's Report**

PURPOSE: Information Item

Purpose of Submittal:

President Shepard will present brief reflections on issues of interest to the Board.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees
FROM: President Bruce Shepard on behalf of the Associated Students
DATE: December 11, 2015
SUBJECT: **Associated Students**
PURPOSE: Associated Students Report

Purpose of Submittal:

AS President, Belina Seare, will brief the Board of Trustees on current activities of the Associated Students.

WESTERN WASHINGTON UNIVERSITY ITEM SUBMITTED TO THE BOARD OF TRUSTEES

TO: Members of the Board of Trustees

FROM: Molly Ware, Faculty Senate President

DATE: December 11, 2015

SUBJECT: Faculty Senate

PURPOSE: Information Item

Molly Ware, Faculty Senate President, will brief the Board on recent activities of the Faculty Senate.

- The Senate Executive Council in collaboration with faculty, staff, and administration from across campus has taken leadership in response to the hate speech events on campus, which we are viewing as manifestations of systemic racism, in the following ways:
 - Sending a campus-wide response to all faculty, staff, and administration in response to these events.
 - Creating an accommodations guideline document providing faculty with specific ideas for making accommodations for those students who do not feel safe returning to campus during dead week or finals week.
 - Generating a list of principles and resources to support the campus in facilitating challenging conversations in the coming weeks in ways that strengthen the health of our campus climate.
- The Senate Executive Council has identified a list of 5 action steps to strengthen inclusive excellence on campus (presented at our last meeting). These will be prioritized and time will be designated in upcoming meetings for faculty and students to collaborate on these projects. All action steps are intended to strengthen the alignment of our university structures with our values in the mission/vision.
- The Senate President and Vice President attended the Associated Students Board meeting on November 18 in order to 1) get students' feedback on identified action steps and to 2) think strategically about creating a pool of students at the beginning of each year who may be interested in influencing university decision-making. Currently, meaningful collaboration with more than a few students is challenging at the university level. We'd like a substantive pool of students readily available to participate in key projects. Students in the pool will be identified by both faculty and openly invited to sign up by AS.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Bruce Shepard

DATE: December 11, 2015

SUBJECT: **Consent Items**

PURPOSE: Action Items

Purpose of Submittal:

Approval of the university recommendations provided on the consent item agenda.

Proposed Motion(s):

MOVED, that the Board of Trustees of Western Washington University, upon the recommendation of the president, approve the following consent items:

- Approval of Fall Quarter Degrees

Supporting Information:

Materials supporting the consent item agenda are attached.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees
FROM: President Bruce Shepard by Provost Brent Carbajal
DATE: December 11, 2015
SUBJECT: **Approval of Fall Quarter Degrees**
PURPOSE: Action Item

Purpose of Submittal:

Board of Trustees responsibility to approve awarding of degrees

Proposed Motion:

MOVED, that the Board of Trustees of Western Washington University, on recommendation of the faculty and subject to the completion of any unmet requirements, approves awarding undergraduate and graduate degrees to the candidates listed in the files of the Registrar and Graduate Dean, for Fall Quarter 2015, effective December 12, 2015.

Supporting Information:

Lists on file with the Registrar and Graduate Dean.

<i>Students</i>	<i>December 2015</i>	<i>Comparison: December 2014</i>
<i>Undergraduates</i>	632	688
<i>Masters</i>	35	36

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Bruce Shepard on behalf of Stephanie Bowers, Vice President for University Advancement

DATE: December 11, 2015

SUBJECT: **Update of the Agreement between Foundation and Trustees**

PURPOSE: Action Item

Purpose of Submittal:

To obtain approval from the Board for an updated Agreement between the WWU Foundation and the Board of Trustees.

Proposed Motion:

MOVED, that the Board of Trustees of Western Washington University, upon recommendation of the President, approve the updated Agreement between the WWU Foundation and the Board of Trustees as proposed in the attached.

Points to Consider:

This agreement is being updated to further amend aspects of the relationship between the University and the Foundation, specifically to include the lease of the President's Residence from the Foundation and eliminate potential actions around patents and copyrights. All other updates are language refinements.

Supporting Information:

A redlined final draft version of the updated agreement is attached. The Assistant Attorney General has reviewed.

AGREEMENT
Between
WESTERN WASHINGTON UNIVERSITY
And
WESTERN WASHINGTON UNIVERSITY FOUNDATION

DRAFT

THIS AGREEMENT is entered into by and between WESTERN WASHINGTON UNIVERSITY (the University), a public institution of higher education located in Bellingham, Washington, and WESTERN WASHINGTON UNIVERSITY FOUNDATION (the Foundation), a nonprofit corporation headquartered at the University in Bellingham, Washington.

WHEREAS, the University, pursuant to RCW 28B.35.120(10) may receive such gifts, grants, conveyances, devises, and bequests of real or personal property from whatsoever sources, as may be made from time to time, in trust or otherwise, whenever the terms and conditions thereof will aid in carrying out University programs; and

WHEREAS, the University has, from its express power to receive such gifts, the implied power to solicit the same pursuant to an agreement such as this; and

WHEREAS, the University has authority pursuant to RCW 28B.35.120(1) to carry out such other activities consistent with Chapter 28B.35 RCW and the authority pursuant to RCW 28B.35.120(9) to enter into contracts essential to the purposes of the University; and

WHEREAS, the Foundation is a nonprofit corporation duly organized for such purposes as maintaining, developing, increasing, and extending the facilities and services of the University; and

WHEREAS, the Foundation is empowered to solicit and receive property and to make contributions, grants, gifts, and transfers of property to the University; and

WHEREAS, the University and the Foundation first entered into a similar agreement in 1995; which was first amended in 2010, and has been reviewed and is now further amended to ~~reflect changes in the name of the Foundation and to~~ update other aspects of the relationship between the University and the Foundation,

NOW, THEREFORE, the parties hereby agree as follows:

I. Pledge of Mutual Support and Cooperation

The Board of Trustees of the University and the Board of Directors of the Foundation pledge their mutual support and cooperation in furtherance of the respective purposes of the University and the Foundation. The Board of Trustees of the University recognizes and respects the authority of the Board of Directors of the Foundation to govern and manage its affairs, as set forth in its Articles of Incorporation. The Board of Directors of the Foundation recognizes and respects the authority of the Board of Trustees to govern the University, to define its policies and purposes, and to determine program emphasis.

II. Obligations of the Foundation

The Foundation, its Board of Directors, officers, and agents agree to:

1. Design and implement such programs and procedures so as to persuade continuous and special philanthropic support and benefactions to further the purposes of the Foundation for the benefit of the University. This support shall include financial support for the University President and other designated University officials to engage in University development activity, including, but not limited to, expenses for travel, vehicle provision, certain memberships, and entertainment expenses, as may need to be incurred. For this purpose, the Foundation will comply with all applicable federal and state laws, and will establish rules and procedures for the management of all affairs of the Foundation in accordance with:

a. the requirements for tax-exempt entities under the federal laws described in Section 501(c)(3) of the Internal Revenue Code of 1954 and 1986, or acts amendatory thereof or supplementary thereto; and

b. the laws of the state of Washington applicable to the Foundation, including, but not limited to, those governing charitable solicitations (Chapter 19.09 RCW), nonprofit corporations (Chapter 24.03 RCW), trusts holding property for charitable purposes (Chapter 11.110 RCW), and the authority of state agencies (Chapter 43.09).

2. Work with the Board of Trustees to provide a reasonable level of support for the President. "Reasonable level of support" may include, but not be limited to:

a. Provision of, on agreed upon lease terms, appropriate housing for the President and family that is commensurate with the role of University

President, and is suitable for regular entertaining that is intended to advance the mission of the University;

- b. An appropriate vehicle, including regular and preventative maintenance;
- c. Membership to appropriate social/business/athletic club(s) that provide the opportunity to entertain guests or potential donors of the University;
- d. Provision of funding to be used for expenses related to development and professional activities, as incurred by the President and other designated University staff. The President's expenses intended for reimbursement by the Foundation will be reviewed quarterly by the Chair of the Board of Trustees of the University, or his designee, to insure the President's expenses have been properly submitted, reviewed, and approved.

Provision of any additional support will be determined mutually between the Board of Trustees and the Foundation Board.

~~2.— Apply for and aid in the processing of applications for patents and copyrights; receive or purchase patents and copyrights, inventions, processes, and discoveries; hold, manage, use, and develop the same; sell, license, or otherwise dispose of the same; and collect royalties thereon.~~

3. Accept, hold, administer, invest, and disburse such funds and properties of any kind or character as from time to time may be given to it by persons or foundations absolutely or in trust, as the case may be; retain proper agents, experts, consultants, accountants, counselors, advisers, and investment advisers for the proper accepting, holding, administering, investing, and disbursing of such funds and properties of any kind or character; and in general do all things that may appear necessary and useful in accomplishing these purposes.

4. Acknowledge that the Foundation can provide financial support for the University to hire employees for various program or development activities.

5. Use all assets and earnings of the Foundation exclusively for University purposes, including the payment of expenses necessarily incident thereto; and no part of such assets and earnings shall benefit any officer or member of the Board of the Foundation or any other individual, except in payment of reasonable compensation for services actually rendered or expenses necessarily incurred.

6. Have the authority, and it shall be its duty, to hold and apply the corpus and income of any donation, grant, devise, or bequest, or any part thereof in such manner as may have been stipulated or provided in the instrument creating such donation, grant, devise, or bequest.

7. Have the authority to sell, mortgage, pledge, lease, or exchange all or any part of the real or personal property or funds of the Foundation, unless otherwise specifically provided in the Foundation's creating instrument, at such prices and upon such terms and conditions as the Foundation may deem best; and ~~the Foundation may prudently invest and reinvest Foundation funds, although such investments are not approved as investments for University trustees under the laws of the state of Washington without regard to any limitations on investments imposed by law on state agencies.~~

8. Have full power and authority to purchase, lease, accept as a gift, devise, or bequest, or otherwise acquire such real or personal property for University purposes, contingent upon University approval by the President or his designee, and to establish title of such property in the University upon acknowledgement of receipt.

9. Have full power and authority to purchase, lease, accept as a gift, devise, or bequest, or otherwise acquire such real or personal property, to be held, administered, or used in any way whatsoever for the benefit of the University, or to assist the University in the fulfillment of its educational purposes; and to that end, the Foundation shall have full power and authority to hold, own, control, handle, administer, or operate any such real or personal property, including the operation of any business connected with or incident to the ownership or control of such property, and to sell, lease, pledge, mortgage, exchange, or otherwise dispose of any such property at such prices and upon such terms and conditions as it may deem best.

10. Borrow money and make and issue bonds, notes, contracts, and other evidence of indebtedness therefore, and by the proper resolution duly adopted by a majority vote of the members of the Foundation's Board of Directors, to secure payment thereof by authority provided above.

11. Engage in and disburse any part or all of its funds, both income and principal, for any and all lawful activities permitted by the laws and regulations governing tax-exempt charitable corporations at that time, and which may be necessary or incidental to the

furtherance of the purposes of this Foundation, including disbursements for scholarships or grants for students at the University pursuant to such terms and conditions as might be lawfully established by donors or the University.

12. Hold, invest, and manage University endowment funds established through donation, grant, devise, or bequest from any public or private source as agent of the University; and apply the corpus and income, or any part thereof in such manner as may have been stipulated or provided in the instrument creating the endowment.

13. Use reasonable portions of its funds and income thereto to pay the administrative expenses of the operation of the Foundation not provided by the University under this Agreement.

14. Not change its stated purpose for existence as set forth in Article IV of its Articles of Incorporation during the lifetime of this Agreement without first obtaining written consent from the University.

15. Agrees to be responsible and account for in its own records all donations wherein the donor names the Foundation or the University as recipient. The Foundation agrees to accept, acknowledge, and timely tender to the University all donations it receives from donors who expressly direct that the donation be made to the University and not the Foundation. Funds will be timely tendered to the University in accordance with donor intent and University policy.

16. Agrees to transmit to the University's Vice President for Business and Financial Affairs a copy of its annual audited financial statement and management letter, if any, prepared by an independent certified public accountant, by October ~~15~~25 of each year. The Foundation agrees to makes its books and records available to audit by such individual as designated by the University's Board of Trustees or its designee.

III. Obligations of the University

For and in consideration of the Foundation promising to operate solely for the benefit of the University and to carry out the aforementioned activities, the University agrees to:

1. Provide the Foundation with office space, utilities, office equipment, furnishings, and access to space for development activities. The fair rental market value

for the use of such space and equipment shall be deemed to be a partial payment by the University for the Foundation's services as described in Article II above.

2. Provide the Foundation with support services, such as consumable office supplies, telephone service, software and data services, postage, the use of audio-visual equipment and services, errors and omissions insurance coverage for its directors, workers' compensation insurance coverage for its volunteers, and duplicating, printing, and publication services, all as partial payment for the Foundation's services to the University as described in Article II above.

3. Provide for the operation of the Foundation, professional staff services in the form of a person to function as executive director of the Foundation and such other professional and classified staff as may be needed to carry out Foundation activities within the confines of support budgeted by the University. The University also agrees to provide accounting, fiscal, information, and such other services as may be necessary to carry out Foundation activities. The services provided to the Foundation by the University pursuant to this section shall be services rendered by employees of the University.

~~4.—Provide parking passes to Foundation donors for special events and other limited uses as specified annually by the Foundation.~~

~~5.4. Annually determine the level of services to be provided to the Foundation, in consultation with the Foundation. The services anticipated to be provided may include the provisions of memberships, a vehicle for use by the President, reimbursement for entertainment expenses connected to development activities, and the like, to be incurred by the President and other designated University staff. The President's expenses will be reviewed quarterly by the Chair of the Board of Trustees of the University, or his designee, including those submitted for reimbursement to the Foundation, to insure that the President's expenses have been properly submitted, reviewed, and approved.~~

~~6.5.~~ Submit an annual statement of accounting to the Foundation summarizing the value of items 1, 2, and 3 above, and referencing salary and benefits. This submission can be in the form of the portion of the annual operating budget adopted by the University which relates to University advancement and development activity. The University shall submit its annual statement of accounting to the Foundation by September 1 of each year.

IV. Services Acknowledged

The services as described in Article III above shall constitute payment in full by the University for Foundation services. The Foundation will in turn acknowledge to the University that it has fully complied with its obligation to expend its best efforts to seek to accrue gifts, grants, donations, and endowments for the benefit of the University.

V. Other Agreements

The Foundation and the University further agree as follows:

1. At all times and for all purposes of this Agreement, except for the provisions in paragraph II. 12, the Foundation shall act as an independent contractor and not as an agent of the University. The Foundation, when acting as an agent of the University, shall abide by the terms set forth in Western Washington University Board of Trustees rules of operations.

2. That Foundation books, accounts, and any form of communications and records are not public records as defined in Chapter 42.17 RCW and Chapter 42.56 RCW; and that the University's public records that pertain to donations to the University are non-disclosable under RCW 42.56.320(4) or otherwise non-disclosable under RCW 42.56.230(4) or .420(4), or such other provisions as may be enacted into law.

3. Foundation accounts and records pertaining exclusively to the management of University endowments are deemed public records and the Foundation shall provide, upon request of the University, reports thereon in a timely manner.

VI. Not Assignable

This Agreement is not assignable by the Foundation either in whole or in part.

VII. Variations and Amendments in Writing

No amendment, alteration, or variation of the terms of this Agreement shall be valid unless made in writing and signed by the parties hereto, and no oral understanding or agreements not incorporated herein, and no amendments, alterations, or variations of the terms hereof unless made in writing between the parties, shall be binding on any of the parties hereto.

VIII. Parties Responsible for Own Acts

The Foundation and the University shall each be responsible for their own acts and responsible to each other for any negligent acts which cause damage to the other.

|

IX. Termination of Agreement

This Agreement may be terminated by either party effective at the end of any State of Washington fiscal year upon written notice to the other party at least thirty (30) days in advance thereof.

X. Choice of Laws

This agreement shall be construed in accordance with the laws of the state of Washington.

XI. Effective Date

This Agreement shall be effective immediately and replaces any and all earlier agreements between the parties.

DRAFT

WESTERN WASHINGTON UNIVERSITY

By: _____
Chair, Board of Trustees

Date: _____

Attest: _____
Secretary, Board of Trustees

Date: _____

Approved as to legal form:

By: _____
ROGER LEISHMAN
Assistant Attorney General

Date: _____

WESTERN WASHINGTON UNIVERSITY FOUNDATION

By: _____
Chair, Board of Directors

Date: _____

Attest: _____
Secretary, Board of Directors

Date: _____

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Bruce Shepard by Acting Vice President Brian Sullivan,
Business and Financial Affairs

DATE: December 11, 2015

**SUBJECT: APPROVAL OF 2015-2016 INTERNAL AUDIT AND CONSULTING
SCHEDULE, AND ACCEPTANCE OF 2014-2015 ANNUAL REPORT**

PURPOSE: Action item

Purpose of Submittal:

The Office of Internal Audit submitted its 2014-2015 Annual Report to the Board of Trustees Audit Committee at its October 8, 2015 meeting. Following revisions as requested by the Audit Committee, the final draft is now submitted to the Board of Trustees.

The Audit Committee requests approval of the 2015-2016 Internal Audit and Consulting Schedule (attached appendices).

Proposed Motion:

MOVED, that the Board of Trustees, upon recommendation of the Board of Trustees Audit Committee and President Bruce Shepard, accepts the 2014-2015 Annual Report of the Office of Internal Audit, and approves the 2015-2016 Internal Audit and Consulting Schedule.

Attachment:

Draft 2014-2015 Annual Report to the Board of Trustees by the Office of Internal Audit, updated November 24, 2015



**2014-2015
ANNUAL REPORT TO
THE BOARD OF TRUSTEES**

DRAFT

OFFICE OF INTERNAL AUDIT

~~October 8, 2015~~

Updated November 24, 2015

Modifications are underlined in red

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Office of Internal Audit

2014-2015 ANNUAL REPORT TO THE BOARD OF TRUSTEES

INTRODUCTION

The purpose of the annual report is to provide the Audit Committee and Board of Trustees with information on the University's internal audit program.

Historical Information:

The Office of Internal Audit has been providing internal auditing services to Western since the early 1980s. The oversight responsibilities for the Internal Audit program have changed over the years. In 2001, Internal Audit's reporting structure was changed from the division of Business and Financial Affairs (BFA) to the President's Office. The reporting responsibilities changed again on May 1, 2005, when the Board of Trustees adopted the Audit Committee Charter. The Charter established that the Office of Internal Audit would report functionally to the Audit Committee of the Board of Trustees, and administratively to the President. The Office of Internal Audit was a one-person department until December 2005, when an additional staff auditor and a half-time administrative assistant were hired.

2014-2015 Governance Highlights:

The Audit Committee held five meetings between July 1, 2014 and June 30, 2015. The President and Office of Internal Audit participated in each of these meetings, as did management from Business and Financial Affairs for relevant agenda items. The Audit Committee meetings also included entrance and exit meetings with the Washington State Auditor's Office for the University's financial statement and accountability audits. The former Internal Audit Director left the position in April 2015. Teresa Hart, Director of Financial Services, was appointed as the Interim Managing Supervisor of Internal Audit.

PURPOSE

Internal Auditing is an independent function established within the University to examine and evaluate its activities as a service to the organization. The objective of the Office of Internal Audit is to assist the Board of Trustees, President and University management in the discharge of their oversight, management, and operating responsibilities. This objective is accomplished by providing analyses, appraisals, recommendations and information about the activities reviewed by the Office of Internal Audit. The Office of Internal Audit assesses the efficiency and effectiveness of internal controls with the goal of promoting effective controls at reasonable cost

to the University. The internal audit function is an integral part of the institution, and plays an important role in the management control system by measuring and evaluating controls. The internal audit review and appraisal process does not in any way relieve other University personnel of the responsibilities assigned to them.

The Office of Internal Audit is committed to the professional practice of internal auditing. Internal Audit's functional reporting to the Audit Committee of the Board of Trustees, and administrative reporting to the President of the University.

The Office of Internal Audit performs internal operational, compliance, and financial related audits of programs, services, departments and accounts that come under the budget authority of the University. Internal Audit performs four types of audit services:

1. Assurance Services: Assurance services are objective reviews of evidence for the purpose of providing an independent assessment. The scope and nature of assurance services includes reviewing and evaluating for: operational efficiencies and effectiveness; reliability of financial and operational systems; adequacy and clarity of policies and procedures; compliance with University policy and state and federal law; safeguarding of assets; and, accomplishment of objectives and goals.
2. Consulting Services: Consulting services are advisory and other service activities include counsel, advice, facilitation, process design and limited training. The objective of consulting services is to add value in the development or modification of processes, procedures, and controls to minimize risk and achieve objectives. The nature and scope of particular consulting services are agreed upon with management. Internal Audit will not assume management's responsibilities in order to maintain appropriate objectivity and independence.
3. Special Investigations: Investigations evaluate allegations of unethical business practices and financial and operational misconduct to determine if allegations are substantiated and to prevent future occurrences.
4. Follow-up Engagements: Follow-up engagements evaluate plans and actions taken to correct reported conditions.

Final audit reports are distributed to the Audit Committee, President, Vice Presidents, and Deans or Directors involved in the audit. The President and appropriate University management have an opportunity to review and discuss all draft reports. Written responses are requested from management, and are included in the audit reports to provide information on the University's plans to address the issues identified in the reports.

Internal Audit Schedule and Risk Assessment Processes:

As outlined in Internal Audit's charter, policy and procedure, the Office of Internal Audit creates a risk-based annual audit schedule to maximize the effective use of Western's Internal Audit resources. The audit schedule is developed with input from the Audit Committee, President, Provost, Vice Presidents, and other University management. Audit services are coordinated with external auditors to reduce duplication of efforts and increase audit coverage of the University.

RESULTS OF 2014-2015 AUDIT ACTIVITIES

Summaries of the audit reports issued and other activities conducted by the Office of Internal Audit during fiscal period July 1, 2014 through June 30, 2015 are provided below.

Cash Handling Audits

Although the Internal Audit Schedule has included “Cash Audits” as an on-going activity, no audits appear to have been performed in at least 10 years. In July 2014, the Interim Supervisor directed staff to evaluate the departments that were handling cash and prioritize them for audit in accordance with assessed risks. Internal Audit subsequently performed cash handling audits in the following departments:

- Department of Communication Sciences and Disorders
- Central Stores Department - Surplus Property
- Testing Center
- Geology Department, College of Sciences and Engineering

The audit recommendations were similar for all of these departments, and included the following areas:

- Custody of cash
- Training
- Handling receipts
- Mail handling
- Timely deposits
- Reconciliation
- Monitoring

Based on the similarity of these findings and the fact that the BFA Division was in the process of revising the University’s cash handling policies and procedures, Internal Audit suspended further departmental cash audits pending completion and implementation of the revised policy and procedures. The revised policy “Billing and Receiving Payment for Tuition, Fees, Goods and Services” was approved by the President on September 1, 2015, with full implementation of the new requirements for departmental cash handling to be complete by June 30, 2016.

Student Sports Clubs

This audit item was closed, as review of state funded sports clubs expenditures was included in the FY 14 Services and Activities Fee audit, with no irregularities identified.

Special Investigation Report

Internal Audit conducted a Special Investigation of Space Use by a private for-profit company, Chris Trudeau SAT Prep. Internal Audit had been contacted by an employee concerned about this company using University classroom space. The audit concluded that use of the space without authorization had been occurring for at least three years.

Western’s Assistant Attorney General mailed cease and desist letters to the company principals, and Internal Audit made the following recommendation:

We recommend that the Provost enlist the offices of Space Administration and Conference Services to create university policy and procedures that outline the controlled use of university facilities, including improved guidance and monitoring of facility uses by outside entities.

The President approved the new policy “Managing Access To University Facilities” on September 1, 2015.

Quarterly Audit of President’s Expenses

Internal Audit was delegated responsibility from the Audit Committee of the Board of Trustees to perform a quarterly audit of all state-funded travel and entertainment expense reimbursements to President Bruce Shepard. During fiscal year 2014-2015, Internal Audit performed four audits and reported on the results to the Audit Committee. Our review concluded that all reimbursed expenses were allowed by state rules.

Other Audit and Consulting Activities

In addition to scheduled audit activities, the Office of Internal Audit performs the following activities throughout the year:

- Questions and advice consulting services **
- Department ethics training upon request
- Participation on University committees, including the Policy Technical Review Committee and Banner Initiatives projects
- Participation in audit meetings and discussions with the State Auditor’s Office
- Tracking incidents of reportable losses or other illegal activities to the State Auditor’s Office
- Liaison to the State Auditor’s Office Whistleblower Program

** Internal Audit receives questions and requests for advice throughout the year. These inquiries require research, summary opinions and advice. Internal Audit works closely with the Assistant Attorney Generals in responding to many of these requests.

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Number of questions/requests for advice received by Internal Audit per calendar year	24	88	85	77	71	77	80	66	68	68

The decrease in logged requests in 2014 from 2013 is attributable to the departure of the Internal Audit Director, as well as a shift to logging only “material” requests that require at least an hour in research time.

QUALITY ASSURANCE

The Office of Internal Audit evaluates its audit and consultation services to ensure useful and high quality service, compliance with University policies and audit standards, and development of staff.

Customer Surveys

One of the primary methods to obtain feedback on the effectiveness of Internal Audit's audit and consultation services, as well as the value received by audit clients, is through Internal Audit's Customer Survey process. The Office of Internal Audit's Customer Survey forms are sent to the Vice Presidents and members of management, faculty and/or staff most involved in the audit or consultation after the completion of the review. Internal Audit considers the feedback provided in the customer survey responses, and takes action deemed necessary to address quality service or performance issues. Internal Audit summarizes each audit or consultation Customer Survey results and discusses them with the President and Audit Committee at Audit Committee meetings.

Note: Internal Audit does not request feedback via the Customer Survey process for special investigations due to their unique purpose and scope. We also do not request Customer Survey forms for small follow up audits.

The Customer Survey results for the audit report issued from July 1, 2014 through June 30, 2015 and July 1, 2013 through June 30, 2014 is as follows:

	SURVEY QUESTIONS	AVERAGE SCORE July 1, 2014 to June 30, 2015	<u>AVERAGE SCORE</u> <u>July 1, 2013 to</u> <u>June 30, 2014</u>
1	The Office of Internal Audit conducted business in a courteous and professional manner	3.73	<u>3.60</u>
2	Audit or consulting related activities were conducted with as little inconvenience to me as possible	2.27	<u>3.25</u>
3	The objectives of audit or consulting related activities were clearly communicated to me	3.27	<u>3.00</u>
4	The results of the audit or consultation were discussed with me on a timely basis	3.55	<u>3.20</u>
5	Deliverables or reports were clearly written and logically organized	3.36	<u>3.10</u>
6	The audit covered key business and operational risks	3.45	<u>2.80</u>
7	My input regarding the scope and objectives were solicited, considered and addressed in a reasonable manner	2.73	<u>3.00</u>
8	My concerns and perspectives were adequately considered during interactions	2.82	<u>3.40</u>
9	The duration of the audit was reasonable	3.00	<u>2.66</u>
10	Audit recommendations were accurate and constructive	3.27	<u>2.60</u>
11	Overall, the involvement of internal audit provided value to my organization	3.36	<u>3.20</u>
AVERAGE RESPONSE		3.17	<u>3.07</u>

Survey Scale: 4= Excellent; 3 = Good; 2 = Fair; 1 = Poor; and N/A Applicable

In addition to the above questions, the Customer Survey form also provides the opportunity for written comments. Some positive feedback received included:

“I also appreciate Paul Schronen’s availability...while we were developing these new processes, Paul was always just a phone call away. I don’t think there wasn’t a time he didn’t answer my many questions in a thoughtful, professional and cheerful manner.”

“I think most employees want to follow the correct procedures, so approaching the audits from an educational and reminder standpoint is much appreciated.”

“I appreciated the explanations of the steps we needed to change in the handling of the cash. The auditors educated us on the correct procedures and the approach was welcoming.”

**Western Washington University
Office of the Internal Auditor
Amended 2013-2015 Internal Audit and Consulting Schedule**

2013-2014	2014-2015	2015-2016
<p style="text-align: center;">OPERATIONAL/FINANCIAL REVIEWS</p> <p>Huxley College – Audit of Fee Expenditures To review and evaluate Huxley Colleges’ course and lab, service and facility rental fees for compliance with the university’s processes. [REMOVED]</p> <p>Services and Activities Fee Process To review and evaluate the operational efficiency, effectiveness and compliance of the University’s processes for administering services and activities fees. [COMPLETED]</p> <p style="text-align: center;">FOLLOW UP AUDITS</p> <ul style="list-style-type: none"> • Vending Machine Contracts [COMPLETED] • Purchasing Card Audit [COMPLETED] 	<p style="text-align: center;">OPERATIONAL/FINANCIAL REVIEWS</p> <p>Athletics Department: Expenditure Compliance and Program Compliance with Selected NCAA Rules To review and evaluate expenditure compliance with state regulations and the department’s compliance with selected NCAA rules and Western’s academic standards.</p> <p>Fraud Risk Management Program - Assessment To evaluate the University’s fraud risk management practices and controls to determine if the potential risks of fraud are reasonably managed. Note: This may include use of a consultant and new “data analytics.”</p> <p>Laboratory Chemicals Audit To review and evaluate the administration and handling of the University’s laboratory chemicals for safety and compliance.</p> <p>Student Sports Clubs To review and evaluate student sports clubs fundraising processes for efficiency, effectiveness and compliance.</p>	<p style="text-align: center;">OPERATIONAL/FINANCIAL REVIEWS</p> <p>Grant Administration Process To review and evaluate the operational efficiency, effectiveness and compliance of the University’s grant processes.</p> <p>Housing and Dining Services To review and evaluate the operational efficiency, effectiveness and compliance of Housing and Dining Operations.</p> <p>Registrar’s Office To review and evaluate the operational efficiency, effectiveness and compliance of the Registrar’s Office operations.</p> <p>Human Resources To review and evaluate the efficiency, effectiveness and compliance of selected Human Resource functions.</p> <p>Ethics Program To review and evaluate the design and implementation of the University’s ethics-related objectives, programs, and activities for efficiency, effectiveness and compliance.</p>

2013-2014

2014-2015

2015-2016

<p>Quarterly President Expense Reviews To review the President’s state-funded travel and entertainment expenses for compliance with state rules and University policies. [ONGOING]</p> <p style="text-align: center;">FOLLOW UP AUDITS</p> <ul style="list-style-type: none">• Property Management Contract Consultation [IN PROCESS]	<p>Cash Audits This on-going project monitors the efficiency, effectiveness and compliance of the University’s cash handling processes.</p> <p>Quarterly President Expense Reviews To review the President’s state-funded travel and entertainment expenses for compliance with state rules and University policies.</p> <p style="text-align: center;">FOLLOW UP AUDITS</p> <ul style="list-style-type: none">• Lakewood Center Use of Resources Special Investigation [COMPLETED]• Property Management Contract Consultation [NEAR COMPLETION]	<p>Student Travel Abroad Oversight Compliance To review and evaluate if all events or programs where Western Washington University students travel and study outside of the United States are administered under the direction of the Center for International Studies in compliance with University policies.</p> <p>Cash Audits This on-going project monitors the efficiency, effectiveness and compliance of the University’s cash handling processes.</p> <p>Quarterly President Expense Reviews To review the President’s state-funded travel and entertainment expenses for compliance with state rules and University policies.</p>
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**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: Sue Sharpe, Chair, Presidential Search Advisory Committee

DATE: December 11, 2015

SUBJECT: **Approval of Presidential Search Candidate Evaluation Criteria and Application Screening Form**

PURPOSE: Action Item

Purpose of Submittal:

Trustee Sue Sharpe, Chair of the Presidential Search Advisory Committee, will present to the Board, for their approval, the proposed Presidential Characteristics/Evaluation Criteria and Application Screening Form created by the PSAC.

Proposed Motion:

MOVED, that the Board of Trustees of Western Washington University, upon the recommendation of the Chair of the Board of Trustees and the Chair of the Presidential Search Advisory Committee, adopt the Presidential Characteristics/Evaluation Criteria and Application Screening Form.

Supporting Information:

WWU Presidential Characteristics/Evaluation Criteria
WWU Application Screening Form

WESTERN WASHINGTON UNIVERSITY
PRESIDENTIAL CHARACTERISTICS/EVALUATION CRITERIA
DECEMBER 11, 2015

1. ***Doctorate or equivalent terminal degree*** and academic credentials sufficient to engender respect from the academy and the community at large;

2. ***Demonstrated successful leadership experience***
 - a. Experience engaging a diverse community in the development and implementation of a shared strategic vision and an ongoing strategic planning process;
 - b. Demonstrated success institutionalizing equity, inclusion, and diversity, that results in the promotion of an inclusive climate, and the recruitment, advancement, and retention of diverse faculty, staff and students;
 - c. Demonstrated knowledge of emerging and innovative trends in public higher education funding and strategic management;
 - d. Successful experience responding to emerging problems and opportunities, and a willingness to foster and encourage positive change;
 - e. Acumen working with local, state and federal legislators as well as other public higher education institutions to advance the mission and vision of a public university where affordable access to quality higher education is viewed as a public good;
 - f. Demonstrated commitment to advancing the University's liberal arts and sciences core insuring an affordable and accessible student-centered educational experience where student success is the top priority;
 - g. Experience promoting partnerships and collaboration with other higher education institutions, P-12 schools, private sector entities, governmental agencies, and communities to strengthen the mission of a university;
 - h. Experience advancing high quality, student-centered education through non-residential educational opportunities;
 - i. Demonstrated ability to achieve a high degree of visibility and accessibility with students, faculty, and staff, as well as surrounding communities;
 - j. Demonstrated commitment to and success in advancing sustainability and environmental stewardship;
 - k. Experience promoting and modelling innovation in a university setting;
 - l. Demonstrated experience personally engaging with students.

3. ***Demonstrated strong senior management experience***
 - a. Experience setting clear priorities, delegating and holding accountable a strong collaborative leadership team;
 - b. Experience managing transparent and inclusive financial and budgeting operations of a higher education institution that ensures effective use of institutional resources and advancement of University objectives;
 - c. Experience with and commitment to broadly inclusive shared governance of a university, including students, faculty and staff;
 - d. Experience overseeing the negotiation and administration of union contracts that maintain healthy and productive relationships with all employee groups;

- e. Experience advancing the use and application of technology to support a 21st century teaching and learning experience, and the overall operations of a university.

4. **Demonstrated successful experience in resource development**

- a. Successful experience taking an active and personal role in fund raising that cultivates financial support and partnerships in the private sector;
- b. Demonstrated experience working with state legislators and other government funders to maximize public appropriations;
- c. Experience developing multiple sources of support such as auxiliary enterprises, securing grants and contracts, developing public-private partnerships and research licensing.

WESTERN WASHINGTON UNIVERSITY - PRESIDENT
Application Screening Form – 2015

Name of Applicant: _____

Status: _____

Instructions: Check the box which most closely reflects this person knowledge, skills, abilities and competencies. List **N/A** if the information is **Not Available**.

KNOWLEDGE, SKILLS , ABILITIES, & OTHER COMPETENCIES	Evidence Shown	No Evidence Shown	Unknown	Comments
<p>1. <i>Doctorate or equivalent terminal degree</i> and academic credentials sufficient to engender respect from the academy and the community at large;</p>				
<p>2. <i>Demonstrated successful leadership experience</i></p> <p>a. Experience engaging a diverse community developing and implementing a shared strategic vision and an ongoing strategic planning process;</p> <p>b. Demonstrated success institutionalizing equity, inclusion, and diversity, that promotes recruitment, advancement, and retention of diverse faculty, staff and students;</p> <p>c. Demonstrated knowledge of emerging and innovative trends in public higher education funding and strategic management;</p> <p>d. Successful experience responding to emerging problems and opportunities, and a willingness to foster and encourage positive change;</p>				

WESTERN WASHINGTON UNIVERSITY - PRESIDENT
Application Screening Form – 2015

KNOWLEDGE, SKILLS , ABILITIES, & OTHER COMPETENCIES	Evidence Shown	No Evidence Shown	Unknown	Comments
<p>e. Acumen working with local, state and federal legislators and other public higher education institutions to advance the mission and vision of a public university where affordable access to quality higher education is viewed as a public good;</p> <p>f. Demonstrated commitment to advancing the University’s liberal arts and sciences core insuring an affordable and accessible student-centered educational experience where student success is the top priority;</p> <p>g. Experience promoting partnerships and collaboration with other higher education institutions, P-12 schools, private sector entities, governmental agencies, and communities to strengthen the mission of a university;</p> <p>h. Experience advancing high quality, student-centered education through non-residential educational opportunities;</p> <p>i. Demonstrated ability to achieve a high degree of visibility and accessibility with students, faculty, and staff, as well as surrounding communities;</p> <p>j. Demonstrated commitment to and success in advancing sustainability and environmental stewardship;</p>				

WESTERN WASHINGTON UNIVERSITY - PRESIDENT
Application Screening Form – 2015

KNOWLEDGE, SKILLS , ABILITIES, & OTHER COMPETENCIES	Evidence Shown	No Evidence Shown	Unknown	Comments
<ul style="list-style-type: none"> k. Experience promoting and modelling innovation in a university setting; l. Demonstrated experience personally engaging with students in university life. 				
<p>3. <i>Demonstrated strong senior management experience</i></p> <ul style="list-style-type: none"> a. Experience setting clear priorities, delegating and holding accountable a strong collaborative leadership team; b. Experience managing transparent and inclusive financial and budgeting operations of a higher education institution that promotes effective use of institutional resources and advancement of University objectives; c. Experience with and commitment to broadly inclusive shared governance of a university, including students, faculty and staff; d. Experience overseeing the negotiation and administration of union contracts that maintain healthy and productive relationships with all employee groups; e. Experience advancing the use and application of technology to support a 21st century teaching and learning experience, and the overall operations of a university. 				

WESTERN WASHINGTON UNIVERSITY - PRESIDENT
Application Screening Form – 2015

KNOWLEDGE, SKILLS , ABILITIES, & OTHER COMPETENCIES	Evidence Shown	No Evidence Shown	Unknown	Comments
<p>4. Demonstrated successful experience in resource development</p> <p>a. Successful experience taking an active and personal role in fund raising that cultivates financial support and partnerships in the private sector;</p> <p>b. Demonstrated experience working with state legislators and other government funders to maximize public appropriations;</p> <p>c. Experience developing multiple sources of support such as auxiliary enterprises, securing grants and contracts, developing public-private partnerships and research licensing.</p>				

STATUS **A** (Seriously consider for interview) **B** (Possibly consider for interview) **C** (No further consideration)

NOTES

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees
FROM: **Trustees** Betti Fujikado and Chase Franklin
DATE: December 11, 2015
SUBJECT: **Proposed Presidential Contract Amendments**
PURPOSE: Action Item

Purpose of Submittal:

Approval of proposed amendments to the presidential contract.

Proposed Motion:

I move that the Board of Trustees of Western Washington University approve Amendment No. 2 to the Employment Contract for President Bruce Shepard to increase the President's annual salary with a merit increase of 4 percent, to \$324,500, effective July 1, 2015, and authorize the Board Chair to execute the action on behalf of the Board of Trustees. All other terms and conditions are to remain the same.

I move that the Board of Trustees of Western Washington University approve Amendment No. 3 to the Employment Contract for President Bruce Shepard in connection with his announced retirement from the presidency and the faculty, and authorize the Board Chair to execute the action on behalf of the Board of Trustees. All other terms and conditions are to remain the same.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees
FROM: President Bruce Shepard
DATE: December 11, 2015
SUBJECT: **WSU North Puget Sound at Everett**
PURPOSE: Discussion Item

Purpose of Submittal:

Bob Drewel, Senior Advisor to WSU Interim President Dan Bernardo, will be providing an update on the status of the Everett University Center, including the recent groundbreaking for a new 95,000 square foot building in Everett, the addition of new STEM related programs and the ongoing successful partnership with Western Washington University.

WESTERN WASHINGTON UNIVERSITY ITEM SUBMITTED TO THE BOARD OF TRUSTEES

TO: Members of the Board of Trustees

FROM: President Bruce Shepard on behalf of Karen Dade and Nick Sanchez, Co-Chairs of the President's Taskforce on Equity, Inclusion and Diversity

DATE: December 11, 2015

SUBJECT: **Diversity Taskforce Strategic Plan Update**

PURPOSE: Discussion Item

Purpose of Submittal:

Karen Dade, Associate Dean of Woodring College of Education and Presidential Leadership Fellow, and Nick Sanchez, Employment Inclusion Manager, will engage the Trustees in conversation about the President's Equity, Inclusion and Diversity Taskforce's draft Diversity Strategic Plan, and related to efforts to improve Western's campus climate.

Background:

The President's Equity, Inclusion and Diversity Taskforce was established by President Shepard in 2012 to rigorously review campus climate, recruitment and retention practices, curriculum, and community outreach efforts in order to develop a comprehensive strategic plan, and to recommend initiatives, policies, and procedures that increase equity and inclusion and allow Western to embrace and reflect a truly diverse society. Key taskforce recommendations to President Shepard that have been implemented include:

- Prior to the passage of marriage equality legislation in Washington State, the University began reimbursing employees in same sex couples for the federal taxation on same sex partners' health and wellness benefits. The process, termed a "gross-up benefit," increases salaries by the amount taxed by the federal government plus the amount taxes increase due to the increased income, effectively eliminating the penalty incurred by same sex couples.
- Expanding the University's Dual Career Assistance policy to apply to same sex couples.
- Developing infrastructure to enable faculty, staff and students to change their gender marker or preferred name in University systems without going through the time and expense of legally changing their name and/or gender marker with external governing bodies.
- Allocating permanent funding for a Director of Women's Studies and two tenured faculty lines with half appointments in American Cultural Studies, the home department for a series of courses and minors devoted to ethnic, racial and cultural minorities.
- Bridge funding to support early opportunities hires—i.e., outstanding candidates who do not fulfill an immediate need but would be an excellent fit for a position soon to come open—where

those individuals advance the diversity priorities of the University. These funds allow for hiring earlier than would otherwise be possible, before the opportunity would disappear.

- Conducting additional qualitative research and interviews into the results of campus climate surveys, resulting in two reports created by past Taskforce co-chair Raine Dozier: [The Experiences of LGBT Faculty at Western Washington University](#) and [The Experiences of Faculty of Color at Western Washington University](#).
- [The WWU Campus Equity and Inclusion Forum Training Series](#), a university-wide initiative to empower members of the Western campus community to better understand and thoughtfully engage with the experiences and identities of all our community members. The mission of the Equity and Inclusion Training series is twofold: (1) to honor and endorse existing training and engagement opportunities for Western employees to expand their critical cultural consciousness; (2) to provide a single portal for Western faculty and staff to register for diversity-related training and events. Faculty and staff from across the University are invited to attend, design and lead the Forum's workshops.

More information about the President's Equity, Inclusion and Diversity Taskforce may be found at:

<http://www.wwu.edu/president/diversity.shtml>

Attachments:

Draft Diversity Strategic Plan

Strategic Vision

In our path to enhance excellence, Western Washington University will become a place where all students, faculty, staff, and stakeholders feel and are welcome, included, respected, and valued regardless of identity or group membership.

Strategic Obligations

We all, who are Western Washington University:

- Publicly advocate for and champion issues related to equity, inclusion, and diversity as part of our educational mission and obligation to the state and its residents.
- Serve the people of Washington State by becoming a deeply inclusive place whose students, faculty, and staff reflect the population of our state and the diversity of our society.
- Ensure that all students' academic experience (curricular, co-curricular, and scholarly work) includes critical engagement with matters of equity, inclusion, and diversity.
- Support and hold accountable all divisions, units, programs, committees, and departments for implementing evidence-based practices that promote equity, inclusion, and diversity including, as relevant, the creation of new policies, procedures, programs, and events.

Guiding Beliefs

We believe that:

- Our commitment to equity, inclusion, and diversity is part of our brand and reputation and guides all our interactions and permeates all facets of the university experience and engagement with the broader community.
- Equity, inclusion, and diversity are communal responsibilities. The pursuit of equity, inclusion, and diversity requires the proactive engagement of all individuals, programs, organizations, and leadership.
- A commitment to equity, inclusion, and diversity requires ongoing proactive engagement and life-long learning. This commitment challenges us to imagine and learn ways of interacting and responding to these issues which reflect the complexity of the human experience and can be described as adaptive change.¹
- Fostering a diverse, equitable, and inclusive climate is an act of social justice and requires a critical approach, addressing the legacy of power and privilege in institutional structures, demographics, working relationships, and individual interactions.
- The future success of Western Washington University is dependent on how we collectively address equity, inclusion, and diversity. Western Washington University affirms continuing progress on issues of equity, inclusion, and diversity in all aspects of University life.

Operational Framework

In considering the strategic action domains listed below, it is incumbent among us to incorporate the following fairness principles when reviewing unit, division and university recommendations and practices-regarding equity, inclusion, and diversity.

¹ Heifetz, Ronald & Linsky, Marty. (2002). *Leadership on the Line*. Harvard Business Review Press.

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1. Procedural fairness: that the *way decisions are made* is indeed fair to those who are affected.
 2. Distributive fairness: that *how the outcomes of decisions are allocated* is such that more desirable or preferred outcomes do not systematically replicate patterns of historical or unearned privilege, but rather move towards providing all individuals what they need to be successful, active members of the university community. (See definition of Equity below.)
 3. Interpersonal fairness: that *how individuals are treated as individuals* is free of overt and subtle harassment and discrimination.

Strategic Action Domains

The university efforts to foster equity, inclusion, and diversity will address six strategic areas:

- *Recruitment of students, staff, and faculty*
The university should reflect the ever-changing demographics of our state and the global community.
- *Retention and development of students, faculty, and staff*
The university should build healthy and sustained academic and professional communities that support and promote educational, professional, and civic development.
- *Campus climate*
The university should foster a campus climate, including the physical environment, that welcomes and affirms the diversity of individuals, groups, and cultures, promoting positive relations across difference.
- *Educational experience*
The university should develop and sustain academic programs and initiatives that engage issues of access, equity, power, and privilege in order to encourage individuals to take action to create a more just world.
- *Leadership development*
The university should, via formal and informal leadership, advance efforts toward equity, inclusion, and diversity as essential elements of their work and be accountable for advancement of the university's diversity goals.
- *External relations*
The university should model positive external relations in advancing diversity with community partners and underrepresented groups, building on local and global knowledges in ways that express humility, reciprocity, respect, collaboration, and a spirit of inquiry.

Appendix A

Definitions

The Task Force recognizes that the definitions of evidence-based, equity, inclusion, and diversity are in the public domain and have multiple meanings and are contextually nuanced. The intent here is to offer readers an understanding of how we are using these terms in this document.

- **Equity** is the guarantee of fair treatment, access, opportunity, and advancement for all students, faculty, and staff, while at the same time striving to identify and eliminate barriers that have systematically prevented the full participation of some groups. The principle of equity acknowledges that there are historically underserved and underrepresented populations and that furthering diversity requires systematic efforts to remediate structural and historical inequalities experienced by certain groups, including, but not limited to groups offered protection by federal or state civil rights laws. This does not imply that everyone is treated the same, since, both individually and as a result of their social group identities, they are not (see diversity below). Rather, it means creating the conditions by which all individuals are provided what they need to be successful, active members of the university community.
- **Inclusion** is a state of being in which all members of the university community feel genuinely invited, engaged, valued, respected, supported and empowered. Inclusion occurs when the learning and work environment ensures that appropriate conditions are in place for all people to achieve their full potential. Inclusion requires diligence in ensuring that systems of privilege that enable marginalization and oppression are identified and replaced so that the university's culture, practices, policies and relationships reflect the conditions required to support a diverse workforce and student body.
- **Diversity** acknowledges all the ways in which people differ, and it encompasses all the characteristics that differentiate one individual or group from another. We conceptualize diversity broadly. It is extensive in scope and appreciates everyone and every group as part of our human diversity that should be valued. While diversity efforts require respect for all individuals, they also recognize that certain social groups have historically and contemporarily been disenfranchised while people from other social groups have been privileged. Toward that end, diversity initiatives should have a strong focus on addressing issues of privilege and marginalization within unequal relations of power, based on social group membership.
- **Evidence** is conceived broadly and includes a variety of forms of information including formal and informal collection of the experiences, perceptions, and views of faculty, staff, students, and communities in addition to relevant research and program evaluations from internal and external sources such as other institutions and organizations.

Appendix B

Suggested activities and strategies by domain

Campus Climate

- Create and sustain an environment in which all students, staff, and faculty feel welcome, included, respected, and valued regardless of identity or group membership.
- Increase the number of students, faculty, and staff from underrepresented groups in order to reach a “critical mass” of underrepresented individuals on campus.
- Implement ongoing, dedicated climate assessments that gather quantitative and qualitative data from a variety of populations in order to evaluate climate and changes in climate.
- Develop and support policies, procedures, programs, and events that further inclusion, equity, and diversity.
- Take public, widely visible stances on issues relating to inclusion, equity, and diversity.

Leadership

- Assure that Western’s commitments to equity, inclusion, and diversity suffuse the processes, principles, and statement of required qualifications that are a part of the current presidential search; the President’s Equity, Inclusion, and Diversity Taskforce will be preparing to support these expected requisite commitments during the period of presidential transition.
- Ensure that leadership personnel at WWU mirror the ethnic/racial, gender, and sexual orientation demographics of the region if not the nation.
- Institutionalize and support faculty, staff, and student orientation and development programs that promote and encourage practices that enhance equity, inclusion, and diversity.
- Reward leadership (administrative, faculty, staff, and student) that promotes practices that improve equity, inclusion, and diversity at WWU.
- Ensure that leadership personnel at WWU have a commitment for and are prepared to advance the goals of the university with respect to equity, inclusion, and diversity.
- Review and monitor university policies and practices to assure an equitable, diverse and inclusive university community.

Educational Experience

- Enable all students to experience active, intentional, and ongoing engagement with diverse people and communities in the curriculum and in the co-curriculum.
- Provide opportunities for students to address racial and multicultural issues in the classroom and in extracurricular settings in order to foster students’ cognitive development and leadership abilities.
- Increase diversity among faculty and support faculty scholarship that furthers understanding of equity, inclusion, and diversity.
- Provide opportunities for faculty to build skills in addressing diversity in the classroom including topics such as facilitating difficult conversations and meeting the needs of diverse learners.

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- Assess the degree to which diversity is incorporated into WWU classes from both faculty and students' perspective.
 - Evaluate courses that have high failure rates in order to identify contributing factors and develop strategies to foster student learning and improve outcomes.

Retention and Development

- Increase the number of students, faculty, and staff from all underrepresented groups in order to reach a critical mass of underrepresented individuals on campus.
- Support a positive, inclusive campus climate for all faculty, staff, and students.
- Increase retention of underrepresented faculty, staff, and students.
- Create and implement evidence-based, transparent policies and programs that promote professional development and advancement for professional staff.
- Support development of offices, programs, networks, and connections for underrepresented faculty, staff, and students both within and across identity groups, disciplines, and programs in order to foster community building and professional and academic development.
- Develop a systematic approach to monitoring retention rates of faculty, staff, and students
- Develop a better understanding of the factors that contribute to retention and loss of underrepresented faculty, staff, and students.

Recruitment

- Increase the number of students, faculty, and staff from all underrepresented groups in order to reach a critical mass of underrepresented individuals on campus.
- Foster a positive, inclusive campus climate for all faculty, staff, and students
- Identify best practices for recruiting diverse faculty, staff and students that are deemed likely to succeed given the setting and the needs of Western Washington University.

External Relations

- Develop ongoing relationships, initiatives, and projects with local and regional partners.
- Build reciprocal connections with external agencies and key individuals.
- Put into practice strategies that support student, faculty, and staff community engagement that fosters connections with diverse individuals and communities.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: Sue Sharpe, Chair, Presidential Search Advisory Committee

DATE: December 11, 2015

SUBJECT: **Presidential Search Update**

PURPOSE: Discussion Item

Purpose of Submittal:

Trustee Sue Sharpe, Chair of the Presidential Search Advisory Committee, will update the Board on the status of the presidential search process.

WESTERN WASHINGTON UNIVERSITY ITEM SUBMITTED TO THE BOARD OF TRUSTEES

TO: Members of the Board of Trustees

FROM: President Bruce Shepard by Steve Swan, V.P. for University Relations and Community Development

DATE: December 11, 2015

SUBJECT: **Olympia Update**

PURPOSE: Discussion Item

Purpose of Submittal:

Becca Kenna-Schenk, Director of Government Relations, will give an update on the upcoming 2016 legislative session.

Supporting Information: State Relations

The WWU State Government Relations team has been gearing up for the 2016 Legislative Session, which is scheduled to begin on January 11, 2016 and conclude sixty days later. The “short,” sixty-day session is intended to provide legislators an opportunity to make adjustments to the two-year, biennial operating and capital budgets.

Western’s 2016 legislative priorities:

- Student Success (\$2.4 million) – Request for state investment in support services, including academic advising, tutoring and retention services.
- Network/Wireless Renewal Initiative (\$4.4 million) – Request for state investment in IT and wireless network infrastructure.
- Security Upgrades for Campus Lockdown Capabilities (\$4.8 million) – Request for state investment to improve Western’s emergency response system through replacement of its existing electronic access control system and expansion of the system in order to enable immediate lockdown of occupied buildings during campus emergencies.

During the Legislature’s 2015 Assembly Days on November 18-20, Western was highlighted on several panels and committees:

- WWU’s Director of First Year Programs/Vice Provost for Undergraduate Education, Dr. Steven Vanderstaay served as a panelist on a statewide conversation about access and affordability.
- Dr. David Patrick, WWU Professor of Chemistry presented to the Senate Energy, Environment and Telecommunications Committee on his work related to solar window technology.
- Sara Wilson, Special Assistant to the Vice President for Enrollment and Student Services, and Dr. Steve Vanderstaay presented to the House Higher Education Committee on Western’s student advising system known as the Student Success Collaborative.
- Dr. Bill Lyne, President of United Faculty of Washington and WWU Professor of English participated on a faculty panel discussion in the House Higher Education Committee.

Government Relations is also organizing several events this fall to express the University’s appreciation to state legislators for their support of Western in the 2015 session.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Bruce Shepard by Tim Szymanowski, Associate Vice President for Development and Leadership Giving, University Advancement

DATE: December 11, 2015

SUBJECT: **Campaign Update**

PURPOSE: Discussion Item

Purpose of Submittal:

Tim Szymanowski, Associate Vice President for Development and Leadership Giving, University Advancement, will provide an update to the board on the Western Washington University campaign.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees
FROM: Betti Fujikado, Chair, Board Audit Committee
DATE: December 11, 2015
SUBJECT: **Board Audit Committee Report**
PURPOSE: Information Item

Purpose of Submittal:

Chair Fujikado will report to members of the Board of Trustees and the university president and his staff topics related to the Board Audit Committee.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees
FROM: Sue Sharpe, Chair, Board Governance Committee
DATE: December 11, 2015
SUBJECT: **Board Governance Committee Report**
PURPOSE: Information Item

Purpose of Submittal:

Chair Sharpe will report to members of the Board of Trustees and the university president and his staff topics related to the Board Committee on Trustees.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Bruce Shepard by Provost Brent Carbajal

DATE: December 11, 2015

SUBJECT: **Academic Affairs Report: Number of Declared Majors**

PURPOSE: Information Item

Purpose of Submittal:

To provide the Board of Trustees with overviews on quarterly information about the number of declared student majors per academic department for fall quarter 2015 and fall quarter 2014. The reports include fall 2014 and fall 2015 peak date comparisons.

Supporting Information:

- Fall 2015 – Number of Declared Majors at Peak
- Fall 2014 – Number of Declared Majors at Peak

Fall 2015 - Number of Declared Majors at Peak

Department	Undergraduate	Graduate	Total
ENG - English	454	36	490
HHD - Health & Human Development	454	19	473
HCS - Health & Community Studies	258	97	355
PSY - Psychology	293	43	336
BIOL - Biology	308	23	331
SPED - Special Educ & Educ Leadership	285	23	308
SOC - Sociology	251		251
CSCI - Computer Science	231	15	246
MGMT - Management	242		242
LANG - Modern and Classical Languages	237		237
ESCI - Environmental Sciences	213	24	237
ELED - Elementary Education	223	9	232
ART - Art	231		231
FMKT - Finance & Marketing	230		230
ENGD - Engineering and Design	216		216
ENVS - Environmental Studies	167	48	215
MUS - Music	193	10	203
HIST - History	170	29	199
DSCI - Decision Sciences	189		189
MATH - Mathematics	166	23	189
FAIR - Fairhaven College	185		185
ACCT - Accounting	176	9	185
ECON - Economics	174	1	175
ANTH - Anthropology	159	14	173
PLSC - Political Science	163		163
CHEM - Chemistry	130	23	153
GEOL - Geology	123	26	149
CSD - Communication Sci & Disorders	100	43	143
THTR - Theatre Arts and Dance	140		140
DSGN - Design	133		133
COMM - Communication Studies	102		102
LING - Linguistics	86		86
MDS - Multidisciplinary Studies	86		86
SEC - Secondary Education		85	85
JOUR - Journalism	73		73
MBA - Master of Business Admin		64	64
PHIL - Philosophy	52		52
PHYS - Physics and Astronomy	46		46
SCED - Science Education	31		31
LBRL - Liberal Studies	30		30
EAST - East Asian Studies	14		14
AMST - American Cultural Studies	7		7
C/AM - Canadian/American Studies	3		3
ENRG - Energy	1		1
SSED - Social Studies	1		1
All Declared Majors	7,026	664	7,690

Note that this counts majors: a student with more than one major is counted once for each major.

Fall 2014 - Number of Declared Majors at Peak

Department	Undergraduate	Graduate	Total
HHD - Health & Human Development	632	15	647
ENG - English	448	37	485
PSY - Psychology	288	37	325
HCS - Health & Community Studies	237	87	324
SPED - Special Educ & Educ Leadership	283	19	302
BIOL - Biology	254	19	273
ENGD - Engineering and Design	236		236
FMKT - Finance & Marketing	229		229
LANG - Modern and Classical Languages	226		226
ART - Art	214		214
ESCI - Environmental Sciences	186	25	211
MGMT - Management	208		208
ENVS - Environmental Studies	163	40	203
SOC - Sociology	196		196
CSCI - Computer Science	178	17	195
DSCI - Decision Sciences	195		195
GEOL - Geology	169	23	192
HIST - History	162	25	187
ACCT - Accounting	181	4	185
MATH - Mathematics	162	21	183
ECON - Economics	174		174
FAIR - Fairhaven College	168		168
PLSC - Political Science	165	1	166
ANTH - Anthropology	149	17	166
ELED - Elementary Education	162	4	166
CHEM - Chemistry	147	19	166
THTR - Theatre Arts and Dance	166		166
MUS - Music	151	7	158
CSD - Communication Sci & Disorders	89	44	133
DSGN - Design	130		130
COMM - Communication Studies	124		124
PHYS - Physics and Astronomy	93		93
SEC - Secondary Education		83	83
MDS - Multidisciplinary Studies	78		78
LING - Linguistics	75		75
JOUR - Journalism	73		73
MBA - Master of Business Admin		69	69
PHIL - Philosophy	68		68
SCED - Science Education	30		30
LBRL - Liberal Studies	27		27
EAST - East Asian Studies	21		21
AMST - American Cultural Studies	8		8
C/AM - Canadian/American Studies	2		2
SSED - Social Studies	1		1
All Declared Majors	6,948	613	7,561

Note that this counts majors: a student with more than one major is counted once for each major.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Bruce Shepard by Provost Brent Carbajal

DATE: December 11, 2015

SUBJECT: **Quarterly Report on Grants and Contracts**

PURPOSE: Informational Item

Purpose of Submittal:

Information from the Office of Research and Sponsored Programs concerning grant awards for the period July 1, 2015 – September 30, 2015 and fiscal year 2015/16.

Supporting Information:

- Grant awards/totals for the period 7/1/15 – 9/30/15
- Grant awards for the fiscal year 2015/16

Grant Awards for the Period 07/01/15 – 09/30/15

The total amount of grants and contracts received this period was \$5,289,548.11. This includes both new awards and additions to existing awards.

Department	Award Total	Awards	Additions
Biology	111,631.00	2	
Border Policy Research	71,000.00	1	
Campus Compact	673,464.00		2
Chemistry	581,000.00	3	
Elementary Education	77,668.11		1
Engineering Technology	248,617.00	2	
Environmental Sciences	746,749.00	2	
Extended Education	142,651.00		1
Geology	107,342.00	1	
History	287,521.00	1	
Mathematics	8,000.00	1	
PEHR	24,650.00	1	
Physics	301,885.00	3	
Psychology	108,610.00	1	
Research & Sponsored Programs	46,000.00	1	
SMATE	1,247,085.00		3
Shannon Point Marine Center	421,136.00	1	
Toxicology	76,539.00	1	
Watershed Studies	8,000.00	1	
Total	<u>5,289,548.11</u>	<u>22</u>	<u>7</u>

	GRANT AWARDS FOR THE PERIOD			July, August, September 2015			
		NEW	ADD'L	FUNDING			DEPT.
FUND	DESCRIPTION	FUNDS	FUNDS	AGENCY	P.I.	DEPARTMENT	TOTAL
51184	Causes of Natural Variation in Protein Expression Dynamics	72,086.00		National Science Foundation	D. Pollard	Biology	72,086.00
56369	Rapid Diagnostics for Cryptic Insect Pests	39,545.00		University of Notre Dame	D. Schwarz	Biology	39,545.00
						Biology Total	111,631.00
55881	15-16 Cross-Border Freight Operations Study	71,000.00		Whatcom Council of Governments	L. Trautman	Border Policy Research	71,000.00
						Border Policy Research Total	71,000.00
54573	Year 6 - WA Campus Compact VISTA Project		9,600.00	Corp. for National & Community Service	J. Hine	Campus Compact	9,600.00
54580	Year 2 - College Access Corps		663,864.00	Corp. for National & Community Service	J. Hine	Campus Compact	663,864.00
						Campus Compact Total	673,464.00
51596	High Sensitivity 500MHz NMR for Faculty Research & Undergrad Training	502,500.00		National Science Foundation	S. Smirnov	Chemistry	502,500.00
56762	Dreyfus Boissevain Lectureship for Undergraduate Institutions	18,500.00		Dreyfus Foundation	A. Murphy	Chemistry	18,500.00
56763	Dreyfus Teacher-Scholar Awards Program	60,000.00		Dreyfus Foundation	C. Spiegel	Chemistry	60,000.00
						Chemistry Total	581,000.00
56343	Year 2 - AFT Innovation Grant		77,668.11	AFT Innovation Fund	M. Miller	Elementary Education	77,668.11
						Elementary Education Total	77,668.11
54117	Signals through Tinkering and Game-Playing	148,715.00		Office of Navel Research	A. Klein	Engineering	148,715.00
55111	Prepreg Materials using Destructive and Non-Destructive Testing	99,902.00		Joint Center for Aerospace Tech Innovation	N. Larson	Engineering	99,902.00
						Engineering Total	248,617.00
51598	Partnership for Geoscience Education	736,749.00		National Science Foundation	J. Rybczyk	Environmental Sciences	736,749.00
54116	Assessing Butterfly Distributions	10,000.00		National Parks Service	J. McLaughlin	Environmental Sciences	10,000.00
						Environmental Sciences Total	746,749.00
55791	Add to NW Advanced Renewables Alliance (NARA)		142,651.00	Washington State University	K. Corrigan	Extended Education	142,651.00
						Extended Education Total	142,651.00
54118	An Analogue Geochronology Mission to Mars	107,342.00		National Science Foundation	M. Rice	Geology	107,342.00
						Geology Total	107,342.00
54119	Preparing National Park Service Records for Improved Public Access	287,521.00		National Park Service	R. Jimerson	History	287,521.00
						History Total	287,521.00

51597	28th Annual Pacific NW Numerical Analysis Seminar	8,000.00		National Science Foundation	J. Zhang	Mathematics	8,000.00
						Mathematics Total	8,000.00
56368	Evaluation of the Base Camp Program for Youth	24,650.00		Enviros Wilderness School	K. Russell	PEHR	24,650.00
						PEHR Total	24,650.00
51178	CAREER: Systematic Kinematic Survey of Young Milky Way Clusters	169,885.00		National Science Foundation	K. Covey	Physics	169,885.00
51183	RUI: Microscopic Molecular Structure in Confined Bose-Einstein Condensates	62,000.00		National Science Foundation	B. Peden	Physics	62,000.00
56367	Conjugated Polymers and Polymerizable Salts	70,000.00		American Chemical Society	J. Leger	Physics	70,000.00
						Physics Total	301,885.00
51185	RUI: Identity Through College	108,610.00		National Science Foundation	K. McLean	Psychology	108,610.00
						Psychology Total	108,610.00
51595	Villalobos NSF Graduate Fellowship	46,000.00		National Science Foundation	K. Kitto	RSP	46,000.00
						RSP Total	46,000.00
51152	Year 5 - Model of Research-based Education for Teachers		635,470.00	National Science Foundation	D. Hanley	SMATE	635,470.00
51185	Year 3 - Change at the Core		596,615.00	National Science Foundation	E. Geary	SMATE	596,615.00
56351	Year 2 - Next Generation STEM Teacher Prep		15,000.00	Carlton College	E. Geary	SMATE	15,000.00
						SMATE Total	1,247,085.00
51186	RUI: Will climate change cause 'lazy larvae'?	421,136.00		National Science Foundation	S. Arellano	SPMS	421,136.00
						SPMS Total	421,136.00
56370	Bayesian Approaches for Adverse Outcome Pathway Development	76,539.00		Harvard	W. Landis	Toxicology	76,539.00
						Toxicology Total	76,539.00
56371	Heart Lake Water Monitoring	8,000.00		Herrera Environmental Consult.	R. Matthews	Watershed Studies	8,000.00
						Watershed Studies Total	8,000.00
						Grand Total	5,289,548.11

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Bruce Shepard by Senior Vice President Eileen Coughlin

DATE: December 11, 2015

SUBJECT: **Admissions and Enrollment Summary**

PURPOSE: Information Item

Purpose of Submittal:

To provide a general update on enrollment and admissions

Fall 2015 Enrollee and Non-enrollee Survey Results

Results were similar among enrolled and non-enrolled students for Fall 2015 who were surveyed to identify the most important qualities that influenced their decisions of where to attend college. The top 5 criteria for both groups included:

1. availability of specific academic programs
2. overall cost to the student's family
3. campus location
4. campus culture
5. access to faculty

Of course, Western has more control over some of these criteria than others, with more control over cost, campus culture and access to faculty, vs. the availability of specific academic programs and campus location.

Winter 2016 Admission Update

Our applications for winter 2016 admission came in strong. Compared to winter 2015, we had a 17% increase in new student applications for admission, including freshmen, transfer and post-baccalaureate students. We admitted approximately 53% of our transfer applicants and 42% of our freshman applicants. The average GPA of transfer students was 3.25 and 72% of our admitted transfer applicants report they will be transferring directly from a Washington state community college. While the numbers remain small, we saw an increase in international transfer applicants for winter quarter from 23 last year to 38 this year.

International Outreach

Recruitment efforts this fall focused on continuing to strengthen relationships with our WA community college global partners – our number #1 source for international students. Western's International Admissions Advisor made visits to 9 colleges to meet with students and staff and to give international admission presentations. In addition, we attended 10 international transfer fairs in the Seattle area. Western attended the Vancouver Area Independent School Fair in British Columbia

– a large fair promoting US Colleges and Universities. Students from over 15+ private and public schools in the Vancouver area were in attendance. On November 13 we hosted our main international campus visit program, International Connections Day. Twenty-one prospective international students and advisors had the opportunity to tour campus, meet current international students and advisors, attend a student-faculty panel, receive an admissions overview, view residential options and eat in the dining hall. Admissions is partnering with Western's Center for International Studies to coordinate outreach efforts to international students. In addition, a high-level advisory committee has been established to create a framework to expand international student recruitment.

King County and Hispanic Outreach

The Office of Communications and Marketing has designed two marketing campaigns: one to reach high achieving King County students, and another to reach Washington Hispanic students and their families. Increasing these populations' awareness of academic and research opportunities at Western is a high priority for the Office of Admissions, which is collaborating on the project by providing market research and content for the campaigns. The campaigns will include advertising methods popular with prospective students that haven't yet been utilized by either office, including Pandora, YouTube, Facebook, and Chegg (an online college search site that allows us to reach out to students in identified geographic regions based on specified criteria).

Champions of Diversity

Western will participate in the annual Champions of Diversity award night, an annual scholarship and outreach effort, on December 2 at Skagit Valley College to recognize young multicultural leaders in Skagit, Island and San Juan counties. Western will present 11 high-achieving high school seniors with two-year Multicultural Achievement Program Awards worth \$3,000 per year.

Phoneathon

Via the Fall Phoneathon during the week of November 16, StARs (Student Admissions Representatives) called approximately 2,240 prospective students for Fall 2016 who had either been admitted or indicated an interest in attending Western. StARs urged students to complete their admission applications to Western, apply early, visit campus through Western Preview and other events, and confirm early. In addition our StARs generally served as a resource to answer any questions students had. Phoning establishes a personal connection to Western, reminds prospective students to turn in an admissions application and helps alleviate concerns students have about applying. In addition, our StARs offer relatable life experiences, advice and assistance from a student to student perspective.

Western Fall Welcome

This year's event was the largest Western Fall Welcome to date, with 543 students (1354 total participants) attending from all over the country. Western Fall Welcome provides prospective students and family members with a comprehensive campus experience, with a goal to highlight Western as a top candidate in their college search process. Guests are able explore social and academic opportunities through departmental open houses and presentations, identify areas of interest, engage with current students, and explore on-campus living communities. Students have an opportunity to learn more about Western and compare Western's academic offerings to other schools they have researched, which hopefully yields more applications and future enrollments. This year our out-of-state attendees more than doubled, from 26 to 66, and our in-state attendees increased by 82 students. In addition, we saw a significant increase in students of color from 88 last year to 134 this year.

Western Fall Welcome Fall 2015 Registrations		
	Attendee	No Show
	Oct 24	Oct 24
Number of Students	543	182
Number of Guests	811	272
Total Students + Guests	1354	454
Students of Color	134	35
First Generation Students	14	8
Out of State Students	66	13

Western Fall Welcome Fall 2014 Registrations		
	Attendee	No Show
	Oct 25	Oct 25
Number of Students	421	127
Number of Guests	609	213
Total Students + Guests	1030	340
Students of Color	88	38
First Generation Students	9	1
Out of State Students	26	5

Online Enrollment Confirmation Fee Improvements

Admissions, the Student Business Office and Enterprise Application Services collaborated to move the current enrollment confirmation fee payment process from CashNet to a customized eMarket site. The new process provides prospective students with the singular option to pay their enrollment confirmation fee, whereas the old system was also used by currently enrolled students to make a variety of payments. Implementation has greatly simplified the confirmation fee payment process.

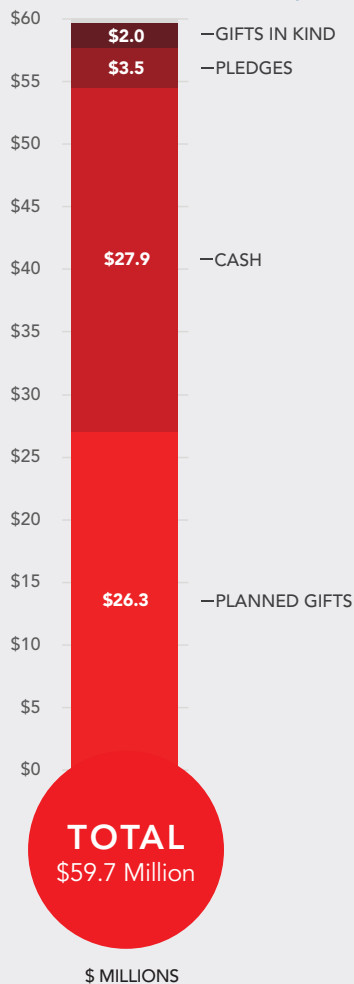
UNIVERSITY ADVANCEMENT REPORT

DECEMBER 2015



This winter holiday season – our season of giving thanks – marks a particularly special moment here at Western Washington University with the opportunity to acknowledge the ongoing success of our Western Stands for Washington campaign. Awareness of and participation in our events and programs continue to grow as we engage our donors, alumni and other constituencies, and as our students benefit from scholarship dollars that we secure. We look forward to growing these critical aspects of our work in 2016, and, in the meantime, we invite you to please mark your calendars for February 24 and March 8, in Bellingham and Seattle, respectively. We look forward to welcoming you to either one or both occasions, and to thanking you in person for all that we are accomplishing together.

CAMPAIGN RESULTS THROUGH OCTOBER 31, 2015



ADVANCEMENT FAST FACTS

SEPT 1 - OCT 31, 2015

In the past two months, **37** student Phonathoners made **32,203** calls, reaching **5,511** alumni, garnering **687** pledges and raising **\$36,587**.

In September and October, we secured **four** major gifts totalling **\$787,658** and **five** major pledges totalling **\$263,500**, contributing **\$1,051,158** toward the **Western Stands For Washington** campaign.

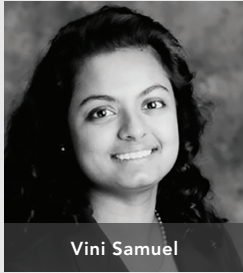
Our major gift officers engaged in **540** interactions with donors, including **121** personal visits and **405** conversations via phone, email and snail mail.

WWU Alumni Association's **13** events – including our 8th Annual Get Your Blue on BBQ, a Happy Hour-Seahawk game combo in D.C. and a Portland Art Museum tour and lunch – engaged **1,811** Western alumni, families, staff and community members.

Over the past two months, **1,209** Annual Giving donors have contributed **1,613** gifts, generating **\$367,348**.

We've welcomed **204** Alumni Association members for a current total of **2,567**.

GROWING AWARENESS

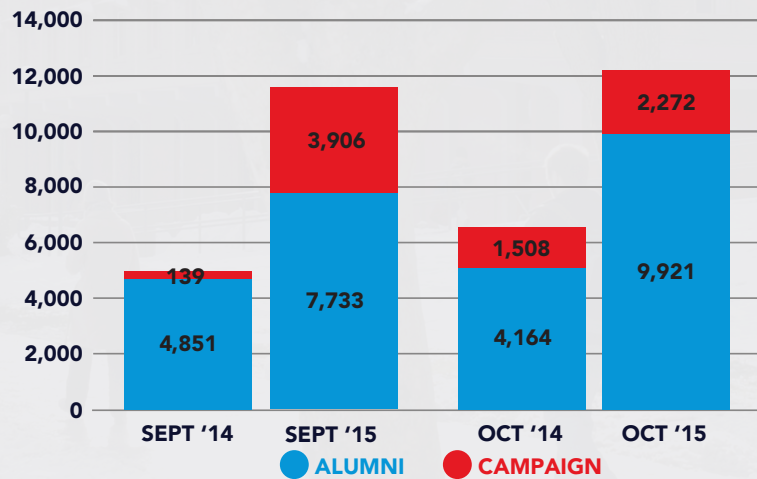


Vini Samuel

WWU alumna and former Alumni Association Board Member Vini Samuel, '94, made history on November 3, 2015 when she became the first female mayor of Montesano, WA, and the first female Indian-American mayor in the U.S. This news also brought historic numbers to our social media pages with more than 200,000 people reached in the first week and nearly 15,000 individuals engaging (clicking, sharing, liking) with the post.

As we enter our final months of the campaign, interest continues to build momentum with a 133% increase in combined Alumni and Campaign website visits in September and an 85% increase in October over the same time last year.

WEBSITE VISITS



ENGAGEMENT METRICS



IN THE FIRST SIX WEEKS SINCE OUR SEPTEMBER 21 OPENING, MORE THAN **900 PEOPLE** HAVE VISITED OUR WESTERN CITY CENTER IN DOWNTOWN BELLINGHAM FOR MEETINGS, EVENTS — AND JUST TO SEE THE SPACE AND ENJOY OUR COMPLIMENTARY WOODS COFFEE.

A NEW FALL PHONATHON OUTREACH TO 3400 FRESHMAN & SOPHOMORE PARENTS RAISED

\$24,113 IN PLEDGES.



MOREOVER, 340 OF THE 491 PLEDGES CAME FROM FIRST-TIME DONORS, WHO CONTRIBUTED A WHOPPING

\$15,223.



OUR WESTERN CITY CENTER HALLOWEEN EVENT — AT WHICH WE HANDED OUT

15 POUNDS OF SWEETS — DREW ABOUT

300 **GHOULS, GHOSTS & GOBLINS.**



ENGAGEMENT

EVENTS FROM SEPT-NOV

In September, our Phonathoners implemented a new series of check-in calls with 2,578 recent graduates, using the opportunity to remind them that Western cares, as well as to update contact information and inform them of alumni-related resources.

And on November 3, Woodring College of Education Dean Francisco Rios attended the Phonathon to thank the callers, sharing words of funding priorities, inspiration and encouragement. Within the first hour of calling, they raised more than \$8,000 with 126 pledges!

On October 21, alumna Diane Sigel Steinman ('77) and Allan Steinman hosted a reception at their home for a group of 24 that included Washington State Representative Gerry Pollet and prominent members of the Seattle Jewish Community such as the executive director of the Jewish Federation of Greater Seattle, Keith Dvorchik. Guests enjoyed remarks by History Department Chair Kevin Leonard and Professor of History Steven Garfinkle regarding the College of Humanities and Social Sciences' initiative to endow a professorship of Jewish History. We received nearly \$40,000 at the event bringing the total commitments towards the new professorship to nearly \$800,000.

On Friday, November 6, University leadership honored Saturna Capital which, with a six-figure gift, funded the new Saturna Sustainable Investing Lab in Parks Hall. This College of Business and Economics research lab, with its real-time access to market data and automated data analytical tools, provides a learning environment for students of finance, accounting and marketing. Approximately 45 people – a mix of Saturna executives, WWU alumni and student interns who work at Saturna and University and CBE leadership – mingled at the festive ribbon cutting.



SATURNA'S WESTERN INVESTMENT: (L to R) CBE Dean Emeritus Dennis Murphy ('69, '71), Saturna Chairman Nick Kaiser, Saturna President Jane Carten ('01, '06), CBE Dean Craig Dunn, President Bruce Shepard.

For this year's National Philanthropy Day on November 12, our stewardship team led the nomination for Sanitary Services Company of Bellingham to be recognized as Outstanding Philanthropic Small Business. Thanks to our team's excellent work, Sanitary Services Company and its president, Paul Razore ('74), were honored this year with the award, in recognition for their longtime support of WWU and more than 100 other Whatcom County organizations.

Fall is always a busy time for Alumni Association events and this year was no exception. On October 4, we sold out our section in the Hawks Nest at CenturyLink Field – 273 tickets – to watch the Seattle Sounders tie the L.A. Galaxy. This event has become a tradition for many of our constituents who traveled from afar to join us for the pregame party under the WWU tents at Pyramid Alehouse.

The following weekend on October 10 in Portland, 24 of our Western community members enjoyed a docent-led tour of the Portland Art Museum to see world-renowned landscape works

from the Paul G. Allen Collection. Post-tour, guests lunched together at Nel Centro, swapping travel stories and memories of Western.

We also hosted a tour at the Seattle Art Museum on October 17. Forty-five guests joined our reception at TASTE followed by a 90-minute docent-led tour of SAM, including a collection of Manet, Renoir, Monet, Boudin, Cezanne, Degas, Pissarro, Bonnard, Gauguin and van Gogh on loan from The National Gallery in Washington, D.C.

While art enthusiasts were entertained in Seattle, WWU Athletics fans were treated to an exciting women's soccer game versus Seattle Pacific University on our home pitch at Harrington Field. Our BBQ on Viking Bunker sold out with 107 participants who enjoyed food and beverages with fellow alumni throughout the game.

On October 22, the Alumni Association hosted a gathering of 24 Western-related folks in Washington, D.C. at a casual Happy Hour and game-viewing party, joining WWU alum Gen O'Sullivan ('00) at her Sona Creamery and Wine Bar

ENGAGEMENT CONTINUED...



for socializing before heading across the street to Barrel to watch the Seahawks vs. 49ers football game.

We rounded out the month at Western City Center where Alumni and student staff donned costumes to hand out candy for the Downtown Bellingham Trick-or-Treat on October 30. Several hundred children and their families trekked through the downtown streets of Bellingham, pausing at our Herald Building headquarters – marked during

the rainy afternoon by WWU tents – for seasonal treats and good cheer.

The following week, Alumni student staff transitioned into professional wear for the Ask an Alum event which connects students with alumni mentors for advice, answers and feedback. For this session, 13 Western alumni from a variety of professions and locations across Washington came to campus to mentor 70 students attendees. In addition to getting resume help and

career direction, students and alumni had a chance to network at a reception beforehand.

On November 7, we hosted yet another sold-out Curling in Canada event with 30 enthusiastic alumni and friends as, for the second time this year, Vikings crossed over to White Rock to learn the sport of curling and socialize with fellow Western supporters over drinks and dinner. This event is always an instant sell-out for the Alumni Association, one of our most popular regular events.



November 7 also marked our WWU Alumni Association Lifetime Member Dinner and Reception. This was the first time a gathering specifically honoring our Lifetime Members had been offered in more than a decade. The response from our 77 guests – who gathered for a wine reception, dinner and discussion from Dennis Murphy ('69 & '71), dean emeritus of the College of Business and Economics – was overwhelming. All of the positive feedback from these dedicated members indicates we will be hosting more events like this one in the future.

UPCOMING EVENTS

DECEMBER 12 – Commencement on campus: commencement speaker Dr. Richard Veith ('69)

DECEMBER 12 – Skagit River Eagle Float

DECEMBER 16 – Vikings Want to Know Reception at Russel Investments in Seattle

JANUARY 4 – Court of Dreams at the Portland Trail Blazers

JANUARY 9 – WWU Women's Basketball vs. CWU at Whatcom Community College

JANUARY 13 – Vikings Want to Know Reception at Boeing in Everett

JANUARY 20 – Vikings Want to Know Reception at Boeing in Seattle

JANUARY 21 – Ignite Your Intellect at Bellingham Cruise Terminal: Jim Reavis ('87) on cloud and digital security

JANUARY 21 – Vikings Want to Know Networking Lunch for Young Alumni at Russell Investments in Seattle

FEBRUARY 4 – Ignite Your Intellect at Schack Art Center in Everett: Jackie Caplan-Auerbach, WWU Associate Professor of Geology

FEBRUARY 11 – Happy Hour and docent-led tour of Paul Allen Collection at Phillips Gallery in Washington, D.C.

FEBRUARY 11 – Ask an Alum in Bellingham

FEBRUARY 18 – Ignite Your Intellect at Western City Center in Bellingham: Laurie Trautman ('01) on Canadian border trade

FEBRUARY 24 – Campaign Celebration in Bellingham

FEBRUARY 25 – WWU @ SPU Hoops in Seattle

MARCH 8 – Campaign Celebration in Seattle

WHY WE DO WHAT WE DO...

In 2004-5, then-Fairhaven College student Rachel Lee spent ten months in Japan, South Korea and China studying ceramics, culture and language. "My intent was to visit towns known for enduring ceramics culture such as Arita, Japan; Icheon, Korea; and Jingdezhen, China," says Lee. "I worked out the details of lodging and studying upon arrival, and to offer English lessons in exchange. I was very proactive and it went so smoothly!" Her experience not only went pretty much as planned, it offered plenty of opportunity for the kind of unexpected moments that generate life-changing touchstones of cross-cultural understanding and social skills. "My world grew in every direction," says Lee. "There is a huge population of humans that were foreign to me who are now familiar, recognizable, and I have an improved ability to communicate with them both linguistically and intuitively. I was able to connect with intriguing, one-of-a-kind humans, like the Korean grandma who slept on the floor next to me in a church for two months; or Coco, my wild flat-mate in Shanghai; or the grad students who shared their studio with me at the ceramics center in Jingdezhen. One of the grad students gave me a Song Dynasty tea bowl she excavated that is about 1,000 years old, and on a dig in Beijing, I accidentally discovered an ancient brick to add to the archeologists' findings."

The excitement of that discovery, still palpable a decade later, was made possible by the Adventure Learning Grant, an immersive educational experience that was the brainchild of former Fairhaven College professor David Mason. Mason, who died earlier this year, was determined to create a program that would encourage students to follow their passions and see what came of that pursuit. "The point was to cut people loose and that was SO the way David taught," notes Fairhaven College Professor Emerita Kathryn Anderson who has helped coordinate the program since its inception. "It was always about giving students the resources, empowering them to mine a rich environment and letting them learn what they can."

For former students such as Tyson Minck, who works as an arborist and musical-instrument designer and was part of 2007-8's cohort, that commitment and intent translated into an extended exploration of the South American continent by bicycle, a trip that covered 16,000 miles and 15 countries over two years. "This grant has found a way to put a face on self-directed interdisciplinary studies," he says, "a face that will continue to draw positive attention to WWU for years to come."

"The experience heightened my critical lens towards 'helping' in any context," says Rachel Clark (2011-12) who

studied community-based healthcare in Kenya and is currently in her first year of medical school. "It pushed me to return home and learn more about people living in poverty in my own community. I was teetering on the edge of applying for medical school, and being in Kenya pushed me over that edge. I want to give back to the place I live, and I want to do it through listening to peoples' stories and providing compassionate and kind care. It pushed me beyond where I was comfortable, to a space so far outside of where I'd been before, and has been my greatest teacher. It has impacted my relationships, both with my family who came to visit me, and friends who were there with me on the ride. It is the greatest gift and opportunity I have ever received and probably will ever receive in my life. It is freedom and time and space in an era in which we have none. I am unendingly grateful to David for his gift, and for the faculty that are responsible for overseeing it."

"The connections and memories from my adventure are exceptional," adds Lee, a family nurse practitioner with a thriving family of her own. "It strengthened me. I'll rock in my rocking chair at 92 and laugh as I relive karaoke nights in East Asia, or perhaps recall some more subtle and precious experiences like a child putting her hand in mine. After living in another culture, some things become part of your life forever."



NEW FACES IN ADVANCEMENT

Heidi Mezo, a lifelong Bellingham resident and mother of two, who studied Human Services at WWU, is joining the University Advancement team as the donor relations program coordinator. She spent the last

year in the Physics & Astronomy Department. Her former career was at Whatcom Community College in their Entry & Advising area for more than 15 years.



**Capital Program Report
Board of Trustees
December 11, 2015**

MAJOR/INTERMEDIATE CAPITAL PROJECTS

• **Carver Renovation**

The General Contractor/Construction Manager (GC/CM) contractor, Mortenson Construction, continues releasing subcontractor packages for pricing. Most of the subcontractor packages have opened and this effort should be complete in January 2016. Abatement and demolition work is nearly complete throughout the site and existing building. Foundation work has started and pile installation is underway, as well as site utilities.

The project is scheduled to be substantially complete in April 2017.

• **Classroom and Lab Upgrades – Phase 2**

There are two remaining components to this work:

1. PW679 Classroom and Lab Upgrades – Phase 2: has reached substantial completion and all classrooms and labs were used Fall Quarter. The contract with Regency NW is being closed out.
2. The final component, PW681 Haggard Hall Media Commons and Parks Hall Finance and Learning Lab: Construction is complete. The contract with Regency NW is being closed out.

• **New Student Housing**

Enrollment and Student Services (ESS) is working with Brailsford & Dunlavey, Inc. on a student housing market study. The results of this study will assist in developing the project scope and programming for a proposed new on-campus student housing project. In addition, the University is starting the process for City of Bellingham planning permits to be prepared if the housing project moves forward.

• **Science Building Renovation & Addition Predesign**

THA Architects Engineers and Western representatives continue to have meetings and work on elements of the Science Building Renovation & Addition Predesign. Completion is scheduled for June 30, 2016.

• **Performing Arts Center Renovation & Addition Predesign**

Opsis Architecture and Western representatives continue to meet and work on elements of the Performing Arts Center Renovation & Addition Predesign. Completion is scheduled for June 30, 2016.

For more information about the major projects, the Capital Program, and the Capital Planning Process, visit the Office of Facilities Development and Capital Budget website: <http://www.wvu.edu/wwwuarchitect/>.

WESTERN WASHINGTON UNIVERSITY ITEM SUBMITTED TO THE BOARD OF TRUSTEES

TO: Members of the Board of Trustees

FROM: President Bruce Shepard by Steve Swan, V.P. for University Relations and Community Development

DATE: December 11, 2015

SUBJECT: University Relations and Community Development Report

PURPOSE: Information Item

Purpose of Submittal:

A written report is provided on the recent activities of University Relations and Community Development.

WESTERN WASHINGTON UNIVERSITY OFFICE OF THE VICE PRESIDENT FOR UNIVERSITY RELATIONS AND COMMUNITY DEVELOPMENT

REPORT FROM THE VICE PRESIDENT TO THE BOARD OF TRUSTEES

COMMUNICATIONS AND MARKETING

Highlights of recent news include the following stories of interest:

- A front-page story in the Skagit Valley Herald that highlighted Western alumna Berenice Rodriguez, whose dream of becoming a teacher was made possible through Woodring College of Education's innovative Pathways program. It can be access via this [link](#).
- A feature article in Science Magazine on WWU Geology Professor Melissa Rice and the Mars Rover Team's research which can be accessed [here](#).
- An [article](#) in the Bellingham Herald about the life of longtime Western administrator and interim university president Al Froderberg following his recent death.

WWU is nearing the one-year anniversary of the [@ourwestern Instagram account](#), which allows a different student each week to share their Western story from their own perspective. The account, which aims primarily to show prospective students what life is like at WWU, has been a huge hit. To date, the account has 3,173 followers. A recent drive to recruit students to host the account resulted in 30 applications in just one day. To view the students' posts week by week, visit <https://storify.com/ourwestern>. With the account's success, we're now rolling out two new student-run platforms: blogs and Snapchat. Look for a soft launch from both this month.

The Marketing Office is ramping up for a comprehensive marketing campaign in conjunction with the Office of Admissions targeted at two key demographics: high-achieving Seattle metro area high schoolers and first-generation Hispanic students. This outreach is initially in the form of advertising on Spanish radio in the Yakima and Skagit valleys as well as electronic outreach through digital media such as Pandora, YouTube and Facebook to the Seattle metro area in the coming weeks.

In the following charts you will find metrics and other data associated with various mediums that University Communications and Marketing uses in the dissemination of Western related stories and information.



METRICS DASHBOARD SEPTEMBER - OCTOBER 2015

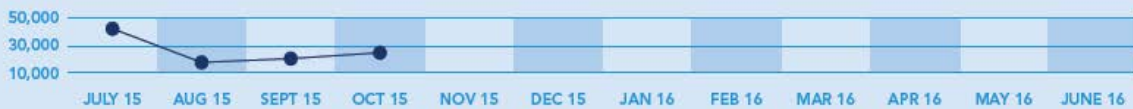
WESTERN TODAY

TOTAL HITS

46,222

TOP STORIES

- Western ranked as one of nation's '50 Best Colleges by the Sea'
- Western named a leading healthy campus in the U.S.
- National Geographic features Western research
- Vernon Damani Johnson: The struggle is real, and continues
- Heather Davidson: Speaking from the heart



SOCIAL MEDIA



TOP POSTS OF THE MONTH

WWU Account

OurWestern Account

STATISTICS AT A GLANCE

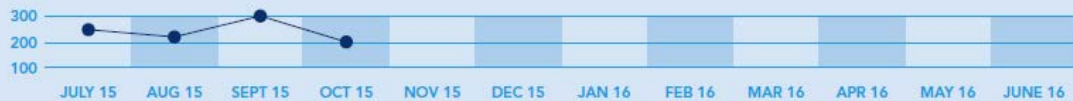
Platform	Total Followers	New Followers	% Gained	Engagement Rate
Twitter	25,439	486	1.95%	2.50%
Facebook	76,590	1,708	2.29%	6.77%
Instagram	18,021	894	5.24%	9.59%
OurWestern	6,042	400	7.11%	5.20%

MEDIA STORIES

509
Total Stories

TOP STORIES

- WWU's Melissa Rice works with Curiosity rover team on new Mars research (Science)
- Border Policy Research Institute study shows border traffic slowing (Bellingham Herald)
- WWU named to "Healthiest Campuses" list (PR Newswire)



CREATIVE SERVICES

GRAPHIC DESIGN



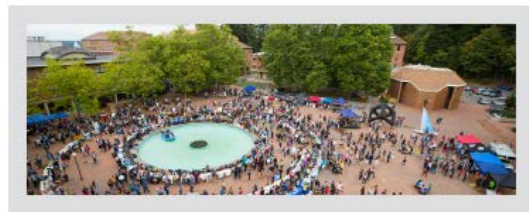
59 Total Projects

FEATURING

- Career Fair poster
- Presidential Search Forum posters and ads
- Munro Seminar program
- What Do You Know branding and motion graphics



PHOTO & VIDEO



44 Total Projects

FEATURING

- Red Square Info Fair
- Media for Window magazine
- Fall at Western video
- Women's soccer overtime win video



GOVERNMENT RELATIONS

Federal Relations

WWU recently sent letters to Senators Patty Murray and Maria Cantwell, Congressman Rick Larsen and Congresswoman Suzan DelBene expressing concern over proposed changes to the regulations governing white collar exemptions to the Fair Labor Standard Act (FLSA)'s overtime rule pay requirements. Should these exemptions be changed it will result in a budgetary impact of more than \$700,000 for Western Washington University.

On July 6, 2015, the Department of Labor (DOL) issued proposed rules changing certain aspects of the "white collar" exemptions and invited public comments. The College and University Professional Association for Human Resources (CUPA-HR) and the American Association for State Colleges and Universities (AASCU), along with 16 other higher education associations, submitted comments on September 4 outlining their concerns with the proposed rules. Western supports the recommendations to the DOL that have been offered by CUPA-HR, AASCU and the 16 other higher education associations.

SMALL BUSINESS DEVELOPMENT CENTER

Among the highlights of activities regarding the SBDC in the past two months are the following:

- Two part-time Western graduate assistants were hired from the WWU MBA program to assist with client research and financial analysis.
- An internship marketing position was filled with an undergraduate student of the WWU marketing program, to begin January 2016.
 - Hired to bring more visibility to program, recruit higher caliber of client, assist in the redesign and conversion of SBDC website, etc.
- Solidified a satellite SBDC office within Barkley Village slated to open early 2016; will result in better/easier access for North Whatcom County businesses.
- Launched the 'Effective Financial Management' series during Global Entrepreneurship week with local CPA, Stephanie Artino.
- Publishing a comprehensive 'Whatcom County Finance Guide' intended for county-wide use.
- Assisting in the creation of an economic development website, with the City of Bellingham, intended to serve as reference for business owners in or relocating to Whatcom County.
- Continuing to collaborate with WWU CBE business professors by pairing students with SBDC clients. This support satisfies outside projects requirements in several keystone WWU courses including "Entrepreneurship" and "Project Management."
- Attended and presented on "Risk Management Techniques for Small Business Counselors", at the Statewide SBDC Fall Conference, held at Semiahmoo on October 7 – 9, 2015.

WASHINGTON CAMPUS COMPACT

In October 2015, Washington Campus Compact board elections were held. The board members are:

Four-Year Public Institutions

- Bruce Shepard, Western Washington University – Board Chair
- Mary Cullinan, Eastern Washington University
- Justin Guillory, Northwest Indian College

Private Institutions

- John Bassett, Heritage University
- Tom Krise, Pacific Lutheran University
- Joseph Castleberry, Northwest University

Two-Year Community and Technical Colleges

- Ryan Carstens, Spokane Community College
- Eileen Ely, Green River Community College
- Denise Yochum, Pierce College, Fort Steilacoom

On November 5, 2015, the WCC held the statewide **Faculty Institute** focused on three themes that address critical issues in Washington: diversity and social justice, sustainability, economic development/social entrepreneurship. Western had three presenters selected for the institute: Heather Davidson (Communications), Dan Purdy (College of Business and Economics), and Galen Herz (Biochemistry and Anthropology student).

On November 6, 2015, WCC held a statewide **Network Meeting** for member institutions only. The University of Washington presented their community partnership mapping project and campus teams discussed strategies for collecting campus-wide student engagement data. Jack Herring and John Thompson represented WWU. Eighteen institutions from across the state sent representatives/teams to participate.

WEB COMMUNICATION TECHNOLOGIES (WebTech)

WebTech will be welcoming a new employee, Alex Waltrip, to the team December 1st. He will be providing much needed support in addressing a growing backlog of website development projects. He was previously a member of Administrative Computing Services at Western.

A number of important projects were recently wrapped up. They include:

- The integration of the emergency messaging alert system, RAVE, into the Western homepage. This integration provides another avenue for communication during emergencies and severe weather incidents.
- The release of a short URL tool that is being managed by WebTech. The goal is to enhance the brand through [www.edu/q/](http://www.wvu.edu/q/) quick links rather than using bit.ly for the same service.
- The activation of the new Fairhaven College website which was built upon the Drupal platform. It can be accessed at <https://fairhaven.wvu.edu>
- The adoption and use of WordPress is increasing steadily on campus. Human Resources recently launched their new WordPress website and it can be accessed at <http://www.wvu.edu/hr>

WESTERN WINDOW TV SHOW

A synopsis of the latest episode of the Western Window TV Show, which is telecast on KVOs-TV via Comcast Cable on the west side of the mountains is listed below. This student intern produced show is aired Sunday mornings at 7 a.m. on KVOs and is also televised daily in Bellingham on BTV-10. Here is a [link](#) to the archives of the shows and below is information on the three latest episodes.

Episode 31 - October 2015 This month's show is hosted by Chris Roselli of the WWU Alumni Association and Teague Parker, a student at Western. Following is the story lineup for this episode:

- *Campus Equity and Inclusion Forum* – Western's Nick Sanchez is leading an effort to shed light on the work being done on campus surrounding diversity, equity and inclusion – making sure everyone gets invited to the table to participate in campus life and raise the university's critical cultural consciousness and create an atmosphere that welcomes and includes all.
- *Wildland Firefighting* – These Western students and alumni spend their summers fighting the increasingly destructive cycle of wildfires while at the same time learning how these incidents are a naturally occurring part of the mountain/forest ecosystem.
- *Down the Drain* – At the end of the summer of 2015, 85% of the state was classified as being in severe drought conditions, making water conservation even more critical. What can each of us be doing to help?
- *Restoring Habitat, Restoring Health* – Salmon are critically important to the ecosystems of the Pacific Northwest; organizations like the Nooksack Salmon Enhancement Association and faculty like Western's Jim Helfield are working to bring back healthy populations of native salmon.
- *WWU Ideas on Stage* – TedX WWU showcases the work of Western change makers to the community, the region, and the world.

Episode 32 – November 2015 This month's show is a single "Office Hours" segment hosted by Dan Purdy, director of Western's Front Door to Discovery program.

- *The Big One: Is a MegaQuake Coming, and How Can We Prepare For It?* – Purdy leads a panel of speakers through a topic of imminent concern for most Pacific Northwesterners: we live in an area of high earthquake activity, an area that has seen huge earthquakes in the past that would dwarf anything in recent times. Is the Big One really coming, and if so, how can we prepare for it? Panelists for this discussion are Paul Gazdik, emergency manager for the City of Bellingham; Jackie Caplan-Auerbach, WWU professor of Geology and an expert in seismology, volcanism and plate tectonics; and David Sattler, WWU professor of Psychology, an expert on how populations react to, and rebound from, natural disasters.



FINANCIAL REPORT

2015





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AND
REQUIRED SUPPLEMENTARY INFORMATION**

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November 16, 2015

Karen Lee, Chair
Board of Trustees
Western Washington University
Bellingham, WA 98225

Dear Chair Lee:

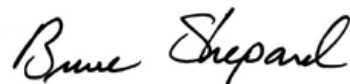
We are pleased to submit the Annual Financial Report of Western Washington University. The accounts of WWU are maintained in accordance with policies and regulations established by Washington State and its Office of Financial Management. This report has been prepared in accordance with generally accepted accounting principles and following the guidance of the Governmental Accounting Standards Board.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

The Washington State Auditors' Office has issued an unqualified (clean) opinion on the Western Washington University financial statement for the year ended June 30, 2015. This opinion is included in the independent auditor's report.

Management's discussion and analysis, located at the front of the financial section of this report, provides a narrative introduction, overview, and analysis of the basic financial statement. Western Washington University is recognized nationwide as a premier public comprehensive university. WWU is ranked #2 for top public schools and #21 in regional university for the western region by US News and World Report and is one of the 100 best values in public colleges according to Kiplinger's Personal Finance. Western's national academic reputation, excellent faculty, as well as its prime location, make it an institution "in demand."

Sincerely,



Bruce Shepard
President



Richard Van Den Hul
Vice President for Business and Financial Affairs

BOARD OF TRUSTEES*

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Sue Sharpe, Vice Chair
Dick Thompson, Secretary
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Steve Swan, Vice President for University Relations
Stephanie Bowers, Vice President for University Advancement
Brian Sullivan, Assistant Vice President for Business and Financial Affairs
Teresa Hart, Director, Financial Services
Michael Ulrich, Accounting Manager, Accounting Services

**as of June 30, 2015*



OVERVIEW

The following discussion and analysis provides an overview of the financial position and activities of Western Washington University (WWU) for the years ended June 30, 2015 and 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

WWU is one of six public, four-year institutions of higher education in the state of Washington. WWU is governed by a Board of eight Trustees, which has broad responsibilities to supervise, coordinate, manage and regulate WWU as provided by State law. Trustees are appointed by the Governor for a term of six years, except a student Trustee who is appointed to a one-year term.

As a comprehensive regional university, WWU offers undergraduate and graduate degrees in over 160 academic programs in its eight colleges. WWU is nationally recognized for providing excellent education at an affordable cost, with Forbes and Kiplinger magazines ranking Western as a top value in education. WWU was established in 1893 and currently has approximately 15,000 full-time and part-time students. Located on the shores of Bellingham Bay with Mount Baker as its backdrop, Bellingham is the last major city before the Washington coastline meets the Canadian border. The City of Bellingham, which serves as the county seat of Whatcom County, is at the center of a uniquely picturesque area offering a rich variety of recreational, cultural, educational and economic activities. WWU is the second largest employer in Whatcom County.

Using the Financial Statement

WWU's financial report includes the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows and the Notes to the Financial Statement. The Statement of Net Position provides information about WWU at a moment in time, the June 30 fiscal year end. The Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows provide information about WWU's activities and operations during the fiscal year. The financial statement, in conjunction with the Notes to the Financial Statement, provides a comprehensive way to assess WWU's financial health.

WWU's financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. WWU's component unit, the Western Washington University Foundation (Foundation), is a separate legal entity and reports its financial results under Financial Accounting Standards Board (FASB) principles. The Foundation's financial statements are reported separately within this report.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2015

WWU's overall financial position decreased in fiscal 2015 due to implementation of a new accounting standard (GASB Statement No. 68 – See Note 1 and 19 to the Financial Statements). This accounting standard requires government agencies to recognize the long-term obligation for the net unfunded actuarial defined benefit liability on the Statement of Net Position. This does not impact WWU's funding requirements for the defined benefit pension plans, but does require a \$31.5 million restatement of beginning net position. On a go-forward basis the standard requires recognition of pension expense using a systematic method designed to match the cost of pension benefits with service periods for eligible employees.

Significant actions which occurred during the fiscal year include the following (discussed in further detail on the following pages):

- Adopted a new reporting standard that reduced beginning FY 2015 net position by \$31.5 million
- Tuition and fees revenue increased \$4.1 million (2.9%)
- Salaries expense increased \$9.3 million (7.2%)
- Federal grants and contracts revenue increased \$924 thousand (15.4%)

Statement of Net Position

The Statement of Net Position presents the financial condition of WWU at the end of the last three fiscal years and reports all assets, deferred outflows, liabilities and deferred inflows of WWU.

A summarized comparison of WWU's assets, liabilities and net position as of June 30, 2015, 2014 and 2013, follows:

	2015	2014	2013
	<i>(Dollars in thousands)</i>		
Assets			
Current assets	\$75,910	\$69,672	\$70,480
Noncurrent assets	76,399	74,821	60,448
Capital assets, net	<u>427,626</u>	<u>433,147</u>	<u>441,496</u>
Total assets	579,935	\$577,640	\$572,424
Deferred outflows	5,080	1,641	1,798
Liabilities			
Current Liabilities	38,388	34,869	31,450
Noncurrent Liabilities	<u>104,710</u>	<u>82,740</u>	<u>84,919</u>
Total liabilities	<u>143,098</u>	<u>117,609</u>	<u>116,369</u>
Deferred inflows	10,464		
Total net position	<u>431,453</u>	<u>461,672</u>	<u>457,853</u>

Assets

Current assets consist primarily of cash and cash equivalents, short-term investments, funds held with the State Treasurer, and accounts receivable, net. The majority of the \$6.2 million increase (9.0%) in fiscal year (FY) 2015 over FY 2014 is the result of an increase in short term investments offset by a decrease in Funds with the State Treasurer. Short term investments increased \$8.9 million (61.0%) as WWU's investment strategy is to ensure liquidity needs while optimizing investment returns. The decrease in Funds with the State Treasurer is due to increased spending of these funds on various capital projects. The slight decrease in total current assets of \$808 thousand (-1.1%) in FY 2014 over FY 2013 is the result of an overall decrease in Accounts Receivable, Net.

The fiscal 2015 increase of \$1.6 million (2.1%) and the fiscal 2014 increase of \$14.4 million (23.8%) in noncurrent assets (excluding capital assets) is attributed to the increases in long-term investments, as WWU continues to build an appropriate level of operating reserve (see ratios later in this section).

Liabilities

The excess of current assets over current liabilities of \$37.5 million in FY 2015 and \$34.8 million in FY 2014 reflects the continuing ability of WWU to meet its short-term obligations with liquid or easily liquidated assets. Current liabilities typically fluctuate depending on the timing of accounts payable payments and the receipt of deposits and revenue that is applicable to the next fiscal year.

Current liabilities increased by \$3.5 million (10.1%) in FY 2015 largely due to an increase in Accounts payable and accrued liabilities attributable to the timing of invoice payments. Current liabilities increased \$3.4 million (10.9%) in FY 2014, which (apart from the accounts payable increase related to timing of payments) is attributable to higher unearned revenue. In addition, the Recreation Center Refinancing bonds issued in FY 2012 called for no principal payments until FY 2015, increasing the current portion of bonds and notes payable in FY 14.

Long-term liabilities increased \$22.0 million (26.6%) during FY 2015 due to an increase of \$26.2 million in the net pension obligation, offset by a \$4.3 million decrease in bonds and notes payable. The increase in the net pension obligation is due to the implementation of GASB Statement No. 68 Accounting and Financial Reporting For Pensions-An Amendment of GASB Statement No. 27. This statement requires WWU to include as a long-term liability its share of the actuarially calculated net pension liability for the retirement plans administered through a

trust by the State of Washington Department of Retirement Systems (DRS). Long-term liabilities decreased overall \$2.2 million (-2.6%) during fiscal 2014 due largely to decreases in scheduled principal payments (\$4.4 million) for Housing and Dining Bonds and leases payable. This decrease was offset by a \$2.2 million (29.9%) increase in the unfunded long-term net pension obligation to certain state employees based on the estimated State Actuarial valuation of the University Retirement Plan (Note 19).

Net Position

The difference between assets, deferred outflows, liabilities and deferred inflows is net position. The change in net position measures whether the overall financial condition has improved or deteriorated during the year. The net position is reported in the following categories:

Net Investment in Capital Assets – WWU's total investments in property, plant equipment, and infrastructure, net of accumulated depreciation and outstanding debt obligations related to those capital assets.

Restricted:

- Nonexpendable consists of funds on which the donor or other external party has imposed the restriction that the corpus is not available for expenditures but for investment purposes only.
- Expendable are resources which WWU is legally or contractually obligated to spend in accordance with time or purpose restrictions placed upon them by donors or other external parties.

Unrestricted – All remaining funds available to the institution for any purpose, although these are often internally designated for specific purposes.

WWU's net position as of June 30, 2015, 2014 and 2013 are summarized as follows:

	2015	2014	2013
	<i>(Dollars in thousands)</i>		
Net Position			
Net investment in capital assets	\$355,929	\$357,384	\$363,010
Restricted:			
Nonexpendable	4,631	4,631	4,629
Expendable	23,870	25,943	28,701
Unrestricted	<u>47,023</u>	<u>73,714</u>	<u>61,513</u>
Total net position	<u>\$431,453</u>	<u>\$461,672</u>	<u>\$457,853</u>

Net investment in capital assets decreased by \$1.5 million (-0.4%) during fiscal 2015 primarily due to a \$19.2 million increase in capital assets, a \$24.7 million increase in depreciation and a \$4.3 million decrease in debt. Net investment in capital assets decreased by \$5.6 million (-1.5%) during fiscal 2014 primarily due to a \$14.9 million increase in capital assets, a \$23.3 million increase in depreciation and a \$3.6 million decrease in debt. During fiscal 2014, WWU granted \$723 thousand in land and \$523 thousand in buildings (net) to the Western Crossing Development (WCD), which is a private/public partnership joint venture with the Port of Bellingham to develop a WWU waterfront campus (See Note 23).

Highlights of fiscal 2015 capital asset activities:

- Construction in process increased \$12.2 million due to the beginning of renovations and improvements.
- Capital improvements to buildings increased \$2.3 million primarily due to the completion of various projects.
- Long-term debt used to purchase capital assets decreased \$4.3 million due to principal payments and amortizations.

Restricted nonexpendable includes donations and matching State contributions for the purpose of establishing distinguished professorships and graduate fellowships.

Restricted expendable net position decreased \$2.1 million (-8.0%) during FY 2015 and \$2.8 million (-9.6%) during FY 2014 primarily due to spending \$1.8 million and \$2.3 million, respectively, of the Permanent Fund (Funds with the State Treasurer) on capital projects.

Unrestricted net position decreased \$26.7 million (-36.2%) largely due to the implementation of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires WWU to include a net pension liability of its share of the State's actuarially calculated total net pension liability (See notes 1 & 19). Unrestricted net position increased \$12.2 million (19.8%) during FY 2014 mainly due to higher tuition and fee revenue, longer start-up periods for new programs funded by one-time funds and departmental savings under budget due to timing of new hires.

Capital Assets and Related Debt

During FY 2015 and FY 2014, \$15.8 million and \$14.9 million (excluding library materials and equipment) respectively, were expended on capital improvements compared to \$18.3 million in FY 2013. Of the \$15.8 million in capital improvements during FY 2015, \$6.7 million was spent on upgrading residence halls, \$3.4 million was expended on utility upgrades, \$2.7 million was spent on classroom and laboratory upgrades and \$2.1 million on the Performing Arts Center exterior upgrade (See Note 9).

Specific projects completed or underway in fiscal 2015 include:

Carver Academic Renovations The estimated \$80.4 million addition of 41,977 square feet will provide additional general classroom seats as well as dedicated lab and instructional spaces. The consolidation and growth of student activities and conferences will also be serviced in the refurbished 2,600 seat event space. Funding was provided in the 2015-2017 capital request.

Classroom & Laboratory Upgrades WWU has maintained a continuous renovation program over many years to upgrade General University classrooms and general use lab spaces. The estimated \$4.7 million program is vital to the function of the campus and has ensured that General University learning space is up-to-date, offers a high level of relevant technology and is adaptable to accommodate various learning modalities. This project is funded using Permanent Funds and state capital appropriations.

North Campus Utility Upgrade The estimated \$3.4 million project upgrades the existing north campus 4,160 volt electrical distribution system to a looped 12,470 volt system pursuant to the 2001 Utilities Master Plan. The existing distribution system is a radial feed network and failure in a critical location could cause an outage that lasts days instead of hours for the affected buildings. Buildings connected to the north campus system are Old Main, Mathes Hall, Nash Hall, Higginson Hall and Edens Halls (both North and South).

Performing Arts Exterior Upgrade The estimated \$2.9 million project will repair and replace the exterior cladding and roof systems of the Performing Arts Center which have deteriorated to the point where they are adversely impacting the building occupants (the College of Fine and Performing Arts faculty, staff and students). The large stucco wall of the Performing Arts Center Concert Hall has developed cracks and water stained soffits are in need of repair and steel windows require replacement. Access to preserve the exterior is complicated by a portion of the building that overhangs the Garden Street By-pass road, approximately 25 feet below.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position present WWU's results of operating and nonoperating items that result in the changes in net position for the year. In accordance with GASB reporting principles, revenues and expenses are classified as operating or nonoperating.

A condensed comparison of WWU's revenues, expenses and changes in net position for the years ended June 30, 2015, 2014 and 2013 follows:

	2015	2014	2013
	<i>(Dollars in thousands)</i>		
Operating revenues	\$206,970	\$200,594	\$196,935
Operating expenses	<u>278,397</u>	<u>268,756</u>	<u>255,965</u>
Operating loss	(71,427)	(68,162)	(59,030)
State appropriations revenue	49,623	52,028	40,052
Other nonoperating revenues	16,836	17,369	16,460
Nonoperating expenses	<u>(3,487)</u>	<u>(3,554)</u>	<u>(3,653)</u>
(Loss) income before other revenues	(8,455)	(2,319)	(6,171)
Other revenues	<u>9,782</u>	<u>6,138</u>	<u>11,627</u>
Increase in net position	1,327	3,819	5,456
Net position, beginning of year	461,672	457,853	452,397
Restatement	<u>(31,546)</u>		
Net position, end of year	<u>\$431,453</u>	<u>\$461,672</u>	<u>\$457,853</u>

WWU relies primarily on student tuition and fees and state appropriations as revenue sources to support operations.

Student tuition and fees, which includes tuition fees and mandatory fees (such as Service and Activity Fee and Health Service Fee) increased slightly by \$4.1 million (2.9%) during FY 2015 compared to a slight increase in FY 2014 of \$4.4 million (3.2%). The Washington State Legislature provides the Board of Trustees with tuition setting authority for the following student categories at WWU: non-resident undergraduate, resident graduate, and non-resident graduate. WWU no longer has tuition setting authority for resident undergraduate students and as such there was no tuition increase for this student category in FY 2015. The FY 2015 increase is due to tuition increases in the other categories along with a marginal increase in the headcount of student population combined with various student fee increases. Resident undergraduate students comprise approximately 85% of the total student population. The tuition rate for resident undergraduates remained constant in FY 2015 when compared to FY 2014. Enrollment increased to an average annual headcount of 14,452 in FY 2015 compared to 14,316 in FY 2014 and 14,237 students in FY 2013. Net tuition revenue (student tuition and fees less scholarship allowances) increased 1.98% in FY 2015, 2.8% in FY 2014 and 11.2% in FY 2013. To assist with tuition increases, WWU provided \$29.0 million in scholarship allowances in FY 2015, compared to \$27.2 million in FY 2014 and \$25.8 million in FY 2013.

Federal grants and contracts revenue increased \$924 thousand (15.4%) during FY 2015 primarily due to a new award from the Corporation for National Community Service to be used to provide support for AmeriCorps activities. The \$1.1 million (-15.2%) decrease in FY 2014 is due to the expiration of various grants.

During FY 2015, state appropriations used for operations (which includes capital appropriations that are used for operations) decreased by \$2.4 million (-4.6%) due to a slight decrease in state support for anticipated health care cost reductions. During FY 2014, state appropriations used for operations (which includes capital appropriations that are used for operations) increased \$12.0 million (29.9%) compared to an increase during FY 2013. The increase during FY 2014 represents a 29.9% increase in state funding for WWU. WWU's state supported budgeted enrollments (FTE) were 11,762 for FY 2015, 2014 and 2013 while the actual average FTE was 12,565 for FY 2015, 2014 and 12,516 for FY 2013. The differences of 803 in FY 2015, 2014 and 754 in FY 2013 non-budgeted FTE were not supported by State dollars.

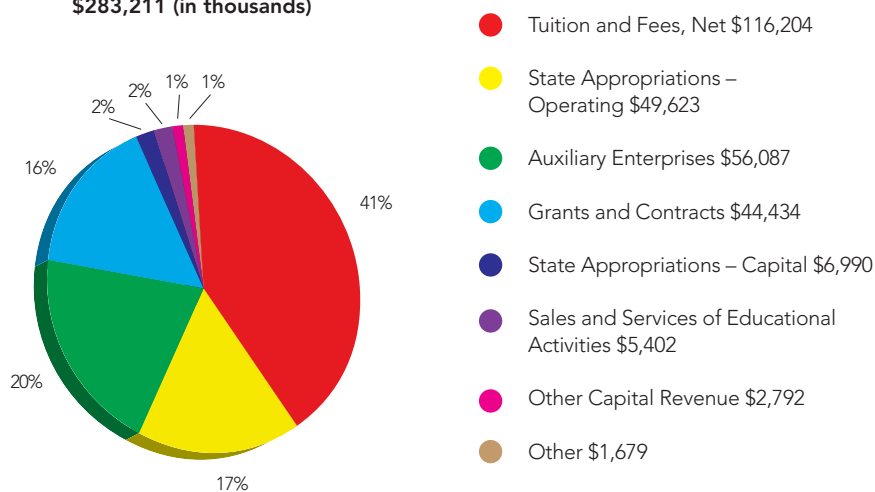
Capital appropriations are recognized as revenue when expenditures are incurred on capital projects and WWU is entitled to receive the cash. Capital appropriations increased \$4.4 million (174.1%) when compared to FY 2014 due to expenditures related to building improvements. Capital appropriations decreased \$5.9 million (-69.7%) when comparing FY 2014 to FY 2013 due to the completion of state supported capital projects that began during FY 2013.

Other capital revenue is the revenue earned from the State of Washington Normal School Permanent Fund and capital contributions received. Capital contributions are related to WWU's Dining Services contract, which provided for a \$7.3 million contribution for dining facilities for renovations and improvements over a 10 year contractual period. The FY 2015 decrease of \$699 thousand (-20.0%) is due to lower capital contributions and reduced Permanent Fund investment earnings. The increase of \$287 thousand (8.9%) during FY 2014 is due to increases in the capital contributions combined with Permanent Fund investment earnings. The majority of the improvements are reported as capitalized assets on the Statement of Net Position.

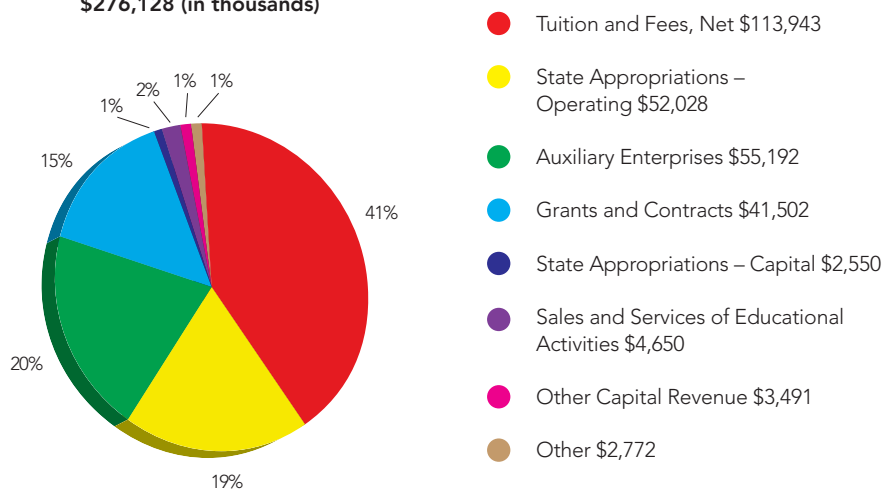
During FY 2014, the Foundation pledged \$92 thousand in additional support to the Harrington Field project, payable during FY 2015. There were no additional pledges during FY 2015. In April 2012, WWU received a \$1.0 million unconditional pledged gift from the Foundation for the purpose of design and construction of the Harrington Field project. The \$1.0 million pledged gift is scheduled to have 8 annual payments. This gift is recorded at its present value, with the discount amortized over the term of the pledged period using the straight line method.

The following graphs illustrate revenues by source for the years ended June 30, 2015 and 2014:

Total revenues by source for the year ended June 30, 2015
\$283,211 (in thousands)



Total revenues by source for the year ended June 30, 2014
\$276,128 (in thousands)



WWU's FY 2015 operating expenses increased \$9.6 million (3.6%) primarily due to increases in salaries and wages. WWU's operating expense increased \$12.8million (5.0%) during FY 2014 largely due to a \$9.8 million increase in salaries and benefits combined with a \$2.7 million increase in depreciation.

Salaries and wages increased \$9.3 million (7.2%) in FY 2015, as faculty and professional staff received compensation increases and classified staff received step increases. The decrease of \$2.2 million (-5.4%) in benefits is attributed primarily to a reduction in health care costs (\$1,200 per employee per year). The \$9.8 million (6.2%) increase in salary and wages and benefits expense in FY 2014 is attributable to negotiated faculty and professional staff salary increases of \$6.3 million combined with the \$2.2 million amortization of the unfunded net pension obligation.

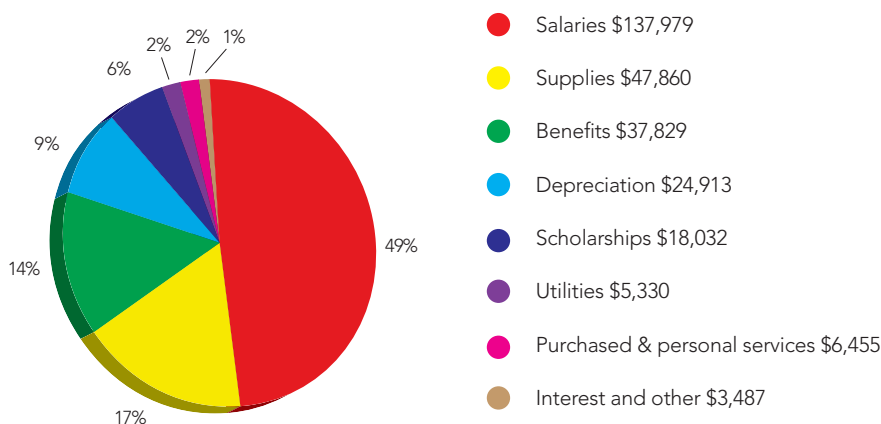
WWU places a high priority on student financial aid as part of its commitment to affordability. Scholarships and fellowships, representing financial aid and fee waivers awarded by WWU, increased slightly during FY 2015 and FY 2014 by \$542 thousand (3.1%) and \$693 thousand (4.1%), respectively.

Supplies and materials increased \$1.6 million (3.4%) due to increased maintenance and repair, technology purchases, and expenses related to Dining Services. Supplies and materials decreased \$2.3 million (-4.7%) during FY 2014 partly due to reduced purchases of noncapital furnishing and equipment.

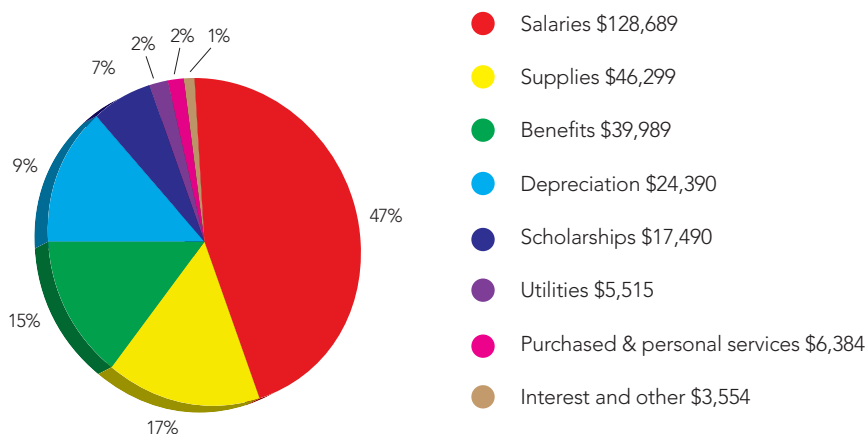
Depreciation expense increased \$522 thousand (2.1%) during FY 2015 and increased \$2.7 million (12.4%) during FY 2014 as additional capital assets were completed and depreciated.

The following graphs illustrate expenses by natural classification for the years ended June 30, 2015 and 2014:

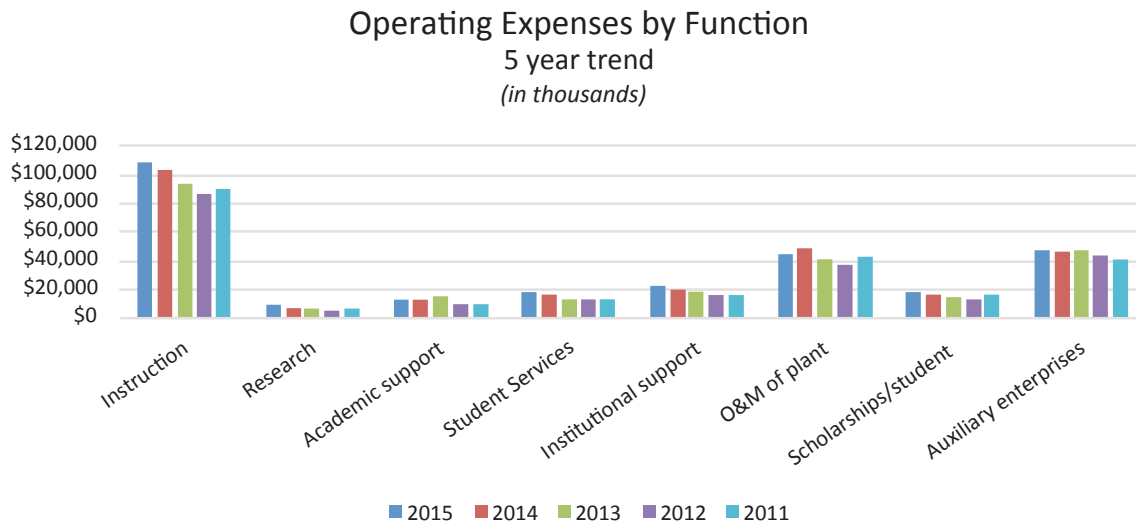
**Total Expenses by Natural Classification
for the year ended June 30, 2015
\$281,884 (in thousands)**



**Total Expenses by Natural Classification
for the year ended June 30, 2014
\$272,310 (in thousands)**



The following graph illustrate expenses by natural classification for the years ended June 30, 2015, 2014, 2013, 2012, 2011:



Operating Loss

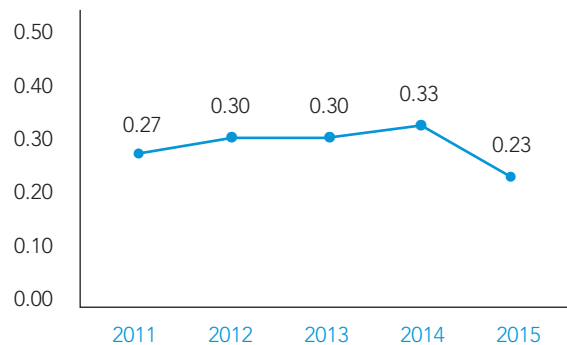
WWU’s operating losses were \$71.4 million in FY 2015, an increase of \$3.3 million (4.8%) from FY 2014, and \$68.2 million in FY 2014, an increase of \$9.1 million from FY 2013. GASB Statement No. 34 requires that State appropriations and Federal Pell grants be classified as nonoperating revenues, thereby creating the significant operating loss. If these revenues were classified as operating the operating losses would have been \$6.2 million in FY 2015 and \$1.2 million in FY 2014.

Financial Indicators

The financial indicators presented below represent a few of the standard ratios used in higher education. The ratios summarize the performance of WWU over a 5 year period. The information provided in WWU’s Statement of Net Position and the Statement of Changes in Revenue, Expense and Net Position (not including the Foundation) are used for the calculations. The downturn in FY 2015 ratios is attributed to the adoption of GASB Statement No. 68, which resulted in a \$31.5 million beginning net position restatement.

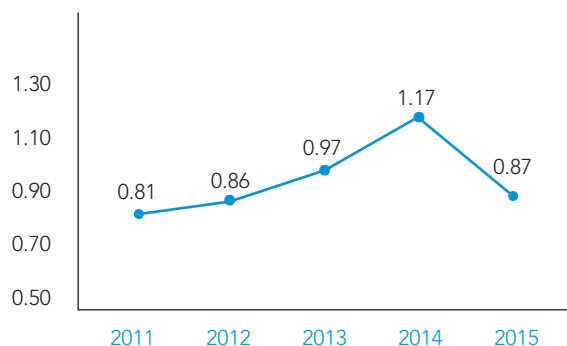
Primary Reserve Ratio

This ratio measures the financial strength of WWU by comparing expendable net position to total expenses. A ratio of .40 or better is advisable from various studies to give institution the flexibility to transform an enterprise over the long-term and that an institution has sufficient expendable resources to continue operations for approximately 120 days without any additional revenue or support in the event of a catastrophe. The .23 ratio indicates WWU has 2.3 months or roughly 75 days of expendable resources to cover operations.



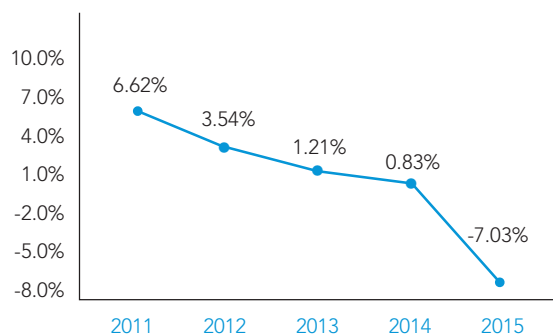
Viability Ratio

The Viability ratio measures the ability of the institution to liquidate debt from its expendable resources. A ratio of 1:1 or greater is recommended by various studies and indicates existing debt could be repaid from expendable resources available today.



Return on Net Position

This ratio shows whether the institution is better off financially than it was in previous years. This ratio is better applied over an extended period so that results over the long-term plans are measured. A decline in this ratio may be appropriate and even warranted if it reflects a strategy or policy changes at the state level.



Economic Factors That Will Affect the Future

WWU classified staff will receive compensation increases (funded by the state) of 3% in FY 2016 and 1.8% in FY 2017. The current contract with the United Faculty of Western Washington (UFWW) expires September 15, 2015. It is anticipated that any compensation increases resulting from the new faculty contract may not be fully funded by the state.

WWU received capital funding from the state for the Carver Academic renovation project. This project is estimated to be \$80.4 million and will increase WWU’s net investment in capital assets over the 2015/2017 biennium.

The state of Washington continues to address the requirement of the Supreme Court’s 2012 McCleary ruling that found that the state has failed to meet its constitutional requirement to sufficiently fund basic education. Progress was made during the 2013-15 biennium but did not satisfy the court. The ruling, scheduled for full implementation in 2018, may have in impact on state appropriations for higher education.

GASB Statement No. 68 was implemented in FY 2015, resulting in a \$31.5 Net Pension Liability for WWU’s

proportionate share of the state's defined benefit plans. While the state of Washington pension plans in total are funded at 95% level two of the individual plans PERS1 and TERS1 are underfunded by \$5.5 billion which may have a financial impact on WWU at a future date. GASB has issued two new pronouncements that will be effective in FY 2017. GASB Statement No. 73 will affect financial reporting related to the University's Retirement Plan (URP) supplemental component with the inclusion of the net pension liability to the Statement of Net Position. The Office of State Actuary has valued the liability at \$21 million as of June 30, 2015. GASB Statement No. 74 addresses the liability associated with Other Post-Employment Benefits (OPEB) offered to retirees. The financial impact of this statement is uncertain at this time.



Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Trustees
Western Washington University
Bellingham, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Western Washington University (the University), Whatcom County, Washington, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Western Washington University Foundation (the Foundation), which represents 100 percent of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the Western Washington University, as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of the Western Washington University, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the University and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2015 and 2014, the changes in its financial

position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, in 2015, the University adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules of the University's proportionate share of the net pension liability and schedules of contributions pension trust fund information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements as a whole. The President's Letter of Transmittal and the Board of Trustees and Administrative Officers are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

November 16, 2015

Statement of Net Position

Financial Report 2015

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	\$40,457,830	\$41,777,144
Investments (Note 4)	23,533,163	14,619,746
Funds with State Treasurer (Note 5)	2,181,948	4,008,042
Interest receivable	880,854	753,700
Accounts receivable, net (Note 6)	6,728,559	6,571,399
Pledged gift receivable from the Foundation (Note 24)	50,000	141,634
Prepaid expenses	368,479	344,863
Inventories (Note 8)	<u>1,708,771</u>	<u>1,455,486</u>
Total current assets	75,909,604	69,672,014
Noncurrent assets:		
Restricted cash and cash equivalents (Note 3)	868,090	883,514
Restricted investments (Note 4)	9,146,990	8,938,542
Investments (Note 4)	53,998,181	52,946,032
Due from State Treasurer	3,013,269	3,192,149
Student loans receivable, net (Note 7)	7,823,192	7,921,302
Pledged gift receivable from the Foundation (Note 24)	786,709	819,412
Non-depreciable capital assets (Note 9)	34,044,525	21,850,996
Depreciable capital assets, net (Note 9)	393,581,786	411,295,551
Net Pension	752,620	
Other assets (Note 1)	<u>9,813</u>	<u>119,732</u>
Total noncurrent assets	<u>504,025,175</u>	<u>507,967,230</u>
Total assets	<u>579,934,779</u>	<u>577,639,244</u>
Deferred outflows		
Deferred loss on bond refunding	1,431,421	1,641,095
Relating to pension (Note 19)	<u>3,648,257</u>	
Total deferred outflows	<u>5,079,678</u>	<u>1,641,095</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	14,233,367	11,443,526
Deposits payable	2,846,662	2,607,639
Unearned revenues	8,523,978	8,208,306
Compensated absences (Note 11)	8,145,435	7,968,633
Current portion of bonds and notes payable (Notes 12,13,15)	4,253,347	4,252,910
Current portion of net pension obligations (Note 15,19)	376,000	376,000
Deposits held in custody for others	<u>9,364</u>	<u>11,877</u>
Total current liabilities	38,388,153	34,868,891
Noncurrent liabilities:		
Long-term portion of bonds and notes payable (Note 12, 13,15)	68,875,382	73,150,533
Long-term net pension obligations (Note 15,19)	<u>35,834,188</u>	<u>9,589,408</u>
Total noncurrent liabilities	<u>104,709,570</u>	<u>82,739,941</u>
Total Liabilities	<u>143,097,723</u>	<u>117,608,832</u>
Deferred inflows		
Relating to pension (Note 19)	<u>10,464,227</u>	
Total deferred inflows	<u>10,464,227</u>	
Net Position		
Net investment in capital assets	355,929,003	357,384,198
Restricted for:		
Pensions	752,620	
Nonexpendable: scholarships and professorships	4,631,296	4,631,015
Expendable:		
Instruction and research	2,433,444	2,448,499
Loans	14,092,075	14,234,250
Capital Projects	7,343,490	9,259,794
Unrestricted	<u>46,270,579</u>	<u>73,713,751</u>
Total net position	<u>\$431,452,507</u>	<u>\$461,671,507</u>

	2015	(Restated) 2014
Assets		
Cash and cash equivalents	\$16,715	\$702,080
Unconditional promises to give, net	4,819,533	4,361,907
Investments:		
Operating investment pool	12,796,975	13,133,188
Endowment investment pool	66,910,165	55,518,148
Endowment real estate held for investment	2,811,600	2,811,600
Annuity and life income investments	2,226,760	4,707,803
Real property and notes receivable	<u>160,000</u>	<u>160,000</u>
Total investments	84,905,500	76,330,739
Other assets	316,500	23,971
Property and equipment, net	<u>531,392</u>	<u>549,303</u>
Total Assets	<u>90,589,640</u>	<u>81,968,000</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	311,156	145,773
Due to Western Washington University	214,888	394,405
Gift payable to Western Washington University, net	836,709	878,725
Annuity and life income obligations	938,351	1,116,744
Investments held in trust for Western Washington University	12,516,601	12,390,142
Contingent obligation to Northwest Indian College Foundation	<u>1,269,609</u>	<u>1,243,999</u>
Total Liabilities	16,087,314	16,169,788
Net Assets		
Unrestricted	16,066,143	16,277,142
Temporarily restricted	20,717,974	19,974,030
Permanently restricted	<u>37,718,209</u>	<u>29,547,040</u>
Total Net Assets	<u>74,502,326</u>	<u>65,798,212</u>
Total Liabilities and Net Assets	<u>\$90,589,640</u>	<u>\$81,968,000</u>

Statements of Revenues, Expenses, and Changes in Net Position

Financial Report 2015

	2015	2014
Operating Revenues		
Student tuition and fees	\$145,246,475	\$141,124,174
Less scholarship allowances	<u>(29,042,676)</u>	<u>(27,181,020)</u>
Net student tuition and fees	116,203,799	113,943,154
Federal grants and contracts	6,910,295	5,986,263
State and local grants and contracts	18,579,094	17,805,187
Nongovernmental grants and contracts	3,347,378	2,661,042
Sales and services of educational activities	5,401,957	4,650,219
Interest earned on loans to students	207,772	192,000
Other operating revenue	232,656	164,600
Auxiliary enterprises	62,931,583	61,608,600
Less scholarship allowances	<u>(6,845,019)</u>	<u>(6,417,020)</u>
Net auxiliary enterprises	<u>56,086,564</u>	<u>55,191,580</u>
Total operating revenues	206,969,515	200,594,045
Operating Expenses		
Salaries and wages	137,978,506	128,689,182
Benefits	37,828,906	39,988,628
Scholarships and fellowships	18,031,770	17,489,523
Utilities	5,329,942	5,515,154
Supplies and materials	47,861,095	46,298,546
Purchased services	6,454,566	6,384,324
Depreciation	<u>24,912,316</u>	<u>24,390,381</u>
Total operating expenses	<u>278,397,101</u>	<u>268,755,738</u>
Operating loss	(71,427,586)	(68,161,693)
Nonoperating Revenues (Expenses)		
State appropriations	49,623,384	52,028,184
Federal Pell grant revenue	15,597,411	14,952,723
Investment income	921,794	712,531
Interest on indebtedness	(3,486,933)	(3,554,252)
Gain (loss) on endowments	290,833	1,674,587
Nonoperating rental property expense/income	<u>26,015</u>	<u>28,186</u>
Total nonoperating revenues (expenses)	<u>62,972,504</u>	<u>65,841,959</u>
Income (Loss) before other revenues	(8,455,082)	(2,319,734)
Other Revenues		
Capital appropriations	6,989,901	2,549,922
Other capital revenue	2,792,384	3,491,369
Pledged gift revenue from the Foundation	<u> </u>	<u>96,732</u>
Total other revenues	9,782,285	6,138,023
Increase in net position	1,327,203	3,818,289
Net position, beginning of year	461,671,507	457,853,218
Restatement (Note 1)	<u>(31,546,203)</u>	<u> </u>
Net position, beginning of year, as restated	430,125,304	457,853,218
Net position end of year	<u>\$431,452,507</u>	<u>\$461,671,507</u>

Foundation Statement of Activities & Changes in Net Assets

Financial Report 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
Support and Revenue:				
Contributions	\$329,033	\$3,747,899	\$8,236,528	\$12,313,460
In-kind services and facilities provided by				
Western Washington University	2,996,763			2,996,763
Interest and dividends	449,112	657,756		1,106,868
Net realized and unrealized gains on investments	164,303	839,049		1,003,352
Return on annuity and life income investments		(14,133)	(107,330)	(121,463)
Change in valuation of annuity and life income obligations		136,422	41,971	178,393
Administrative fees	867,266			867,266
Fundraising events and other	123,184	560,095	_____	683,279
Total support and revenue before net assets released from restrictions	4,929,661	5,927,088	8,171,169	19,027,918
Net assets released from restrictions	5,404,793	(5,404,793)		
Recovery of underwater endowments	(221,649)	221,649	_____	_____
Total Support and Revenue	10,112,805	743,944	8,171,169	19,027,918
Expenses:				
Program services and grants	6,121,637			6,121,637
Management and general in-kind	1,534,766			1,534,766
Management and general - other	259,445			259,445
Fundraising - in-kind	1,461,997			1,461,997
Fundraising - other	945,959	_____	_____	945,959
Total Expenses	10,323,804	_____	_____	10,323,804
Change in Net Assets	(210,999)	743,944	8,171,169	8,704,114
Net Assets, beginning of year (restated)	16,277,142	19,974,030	29,547,040	65,798,212
Net Assets, end of year	\$16,066,143	\$20,717,974	\$37,718,209	\$74,502,326

Foundation Statement of Activities & Changes in Net Assets

Financial Report 2015

	Unrestricted	(Restated) Temporarily Restricted	(Restated) Permanently Restricted	(Restated) 2014 Total
Support and Revenue:				
Contributions	\$272,388	\$4,166,210	\$1,245,243	\$5,683,841
In-kind services and facilities provided by				
Western Washington University	2,913,341			2,913,341
Interest and dividends	511,714	734,954		1,246,668
Net realized and unrealized gains on investments	1,835,491	4,609,894		6,445,385
Return on annuity and life income investments		13,381	456,538	469,919
Change in valuation of annuity and life income obligations		(1,296)	71,674	70,378
Administrative fees	651,592			651,592
Fundraising events and other	<u>103,527</u>	<u>662,264</u>	_____	<u>765,791</u>
Total support and revenue before net assets released from restrictions	6,288,053	10,185,407	1,773,455	18,246,915
Net assets released from restrictions	5,515,783	(5,515,783)		
Recovery of underwater endowments	<u>103,025</u>	<u>(103,025)</u>	_____	_____
Total Support and Revenue	11,906,861	4,566,599	1,773,455	18,246,915
Expenses:				
Program services and grants	6,090,507			6,090,507
Management and general in-kind	1,661,584			1,661,584
Management and general - other	303,762			303,762
Fundraising in-kind	1,251,757			1,251,757
Fundraising - other	<u>552,941</u>			<u>552,941</u>
Total Expenses	<u>9,860,551</u>			<u>9,860,551</u>
Change in Net Assets	2,046,310	4,566,599	1,773,455	8,386,364
Net Assets, beginning of year (restated)	<u>14,230,832</u>	<u>15,407,431</u>	<u>27,773,585</u>	<u>57,411,848</u>
Net Assets, end of year	<u>\$16,277,142</u>	<u>\$19,974,030</u>	<u>\$29,547,040</u>	<u>\$65,798,212</u>

Statement of Cash Flows

Financial Report 2015

	2015	2014
Cash Flows from Operating Activities		
Tuition and fees	\$116,590,318	\$113,938,036
Grants and contracts	28,386,479	27,573,882
Payments to vendors	(77,040,768)	(75,847,247)
Payments to employees for salaries and benefits	(174,137,225)	(163,902,435)
Loans issued to students	(1,749,488)	(1,894,366)
Collection of loans to students	1,794,303	1,441,709
Sales of auxiliary enterprises	56,120,146	55,182,549
Sales and services of educational activities	5,767,561	6,440,765
Interest received on loans to students	<u>440,428</u>	<u>356,600</u>
Net cash used by operating activities	(43,828,246)	(36,710,507)
Cash Flows from Noncapital Financing Activities		
State appropriations	49,839,384	51,644,304
Direct Lending proceeds	68,414,963	67,846,851
Direct Lending disbursements	(68,411,942)	(67,828,397)
Federal Pell grant receipts	<u>15,597,411</u>	<u>14,952,723</u>
Net cash provided by noncapital financing activities	65,439,816	66,615,481
Cash Flows from Investing Activities		
Purchases of investments	(21,525,591)	(21,893,668)
Net proceeds from sales of investments	11,642,410	16,530,556
Interest received on investments	<u>794,640</u>	<u>602,861</u>
Net cash (used)/provided by investing activities	(9,088,541)	(4,760,251)
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	13,480,923	
Interest earned on bond proceeds	6,952,781	2,644,362
Capital appropriations	1,826,094	(875,147)
Other capital (expense)/revenue	2,884,018	3,496,467
Contributions and gifts in-kind	27,651	11,917
Proceeds from disposal of capital assets	(18,169,034)	(17,476,246)
Purchases of capital assets	(19,662,286)	(3,565,748)
Principal paid on capital debt	(1,223,929)	(3,469,308)
Interest paid on capital debt	26,015	28,186
Other activities	<u>28,186</u>	<u>33,280</u>
Net cash used by capital and related financing activities	(13,857,767)	(19,205,517)
Net increase/(decrease) in cash and cash equivalents	(1,334,738)	5,939,206
Cash and cash equivalents, beginning of year	<u>42,660,658</u>	<u>36,721,452</u>
Cash and cash equivalents, end of year	<u>\$41,325,920</u>	<u>\$42,660,658</u>

Reconciliation of Operating Loss to Net Cash used by Operating Activities

	2015	2014
Operating loss	(\$71,427,586)	(\$68,161,693)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	24,912,316	24,390,381
Net pension expense	(1,411,525)	
Gain on disposal of fixed assets	(23,284)	1,235,116
Changes in assets and liabilities:		
Funds with the State Treasurer		
Accounts receivable	(124,456)	926,387
Student loans receivable	98,110	(209,589)
Inventories	(253,285)	(85,027)
Prepaid expenses	(23,616)	165,644
Accounts payable and accrued expenses	1,525,665	2,130,361
Deferred revenue	315,672	836,973
Student and other deposits	239,023	(131,290)
Deposits held in custody	(5,534)	(212,467)
Compensated absences	176,802	200,260
Net pension obligation expense	2,173,452	2,204,437
Net cash used by operating activities	(\$43,828,246)	(\$36,710,507)
Supplemental disclosure of cash flow information		
Acquisition of capital assets through accounts payable	\$3,306,864	\$2,061,036

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Western Washington University (WWU) is a comprehensive, degree granting public university in the State of Washington. It is governed by a Board of eight Trustees appointed by the Governor. These financial statements summarize all the fund types of WWU including agency funds.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component unit, the Western Washington University Foundation (the Foundation).

The Foundation is a legally separate, tax-exempt entity. The Board of Directors is self-perpetuating and consists of 31 members. WWU has an agreement with the Foundation to design and implement such programs and procedures so as to persuade continuous and special philanthropic support for the benefit of WWU. In exchange, WWU provides the Foundation with office facilities, furniture and equipment, and a significant number of full-time employees and support services, including depository, disbursing, and payroll and purchasing functions. Although WWU does not control the timing or amount of receipts from the Foundation, the majority of the resources or income the Foundation holds and invests is restricted for the activities of WWU by the donors. The Foundation's activity is reported in separate financial statement because of the difference in its reporting model as described below.

The Foundation reports its financial results under Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 958-605, *Revenue Recognition*, and ASC 958-205, *Presentation of Financial Statement*.

As such, certain revenue recognition criteria and presentation features are different from GASB. No modifications have been made to the Foundation's financial information in WWU's financial statement for these differences; however, significant note disclosures (see Note 2) to the Foundation's financial statement have been incorporated into WWU's notes to the financial statement.

The Foundation's financial statement can be obtained by contacting the Foundation at (360) 650-3408.

Financial Statement Presentation

The financial statements are presented in accordance with

generally accepted accounting principles and follow the guidance given by GASB. WWU has special purpose reports reflecting the net position, results of operations and cash flows for certain auxiliary units: Housing and Dining System, Wade King Recreational Center, Parking Services and Associated Students Bookstore. These financial statements present only a selected portion of the activities of WWU. As such, they are not intended to and do not present the financial position, results of operations, or changes in net position of WWU. The auxiliary unit financial statements can be obtained by contacting Western Washington University at (360) 650-3675.

Basis of Accounting

For financial reporting purposes, WWU is considered a special-purpose government engaged only in business-type activities. Accordingly, WWU's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All intra-agency transactions have been eliminated.

New Accounting Pronouncements

On July 1, 2013, WWU adopted GASB Statement No. 67 "Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25". The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. The new information will enhance the decision-usefulness of the financial reports of these pension plans, their value for assessing accountability, and their transparency by providing information about measures of net pension liabilities and explanations of how and why those liabilities changed from year to year.

The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison to actuarially determined rates, when such rates are determined. In that circumstance, it also will provide information about whether employers and non-employer contributing entities, if applicable, are keeping pace with actuarially determined contribution measures. In addition, new information about rates of return on pension plan investments will inform financial report users about the effects of market conditions on the pension plan's assets over time and provide information for users to assess the relative success of the pension plan's investment strategy and the relative contribution that investment earnings provide to

the pension plan's ability to pay benefits to plan members when they come due.

As Statement No. 67 sets the standards for the retirement plans to follow which are held at the state level, there is no impact to WWU's statements.

On July 1, 2013, WWU adopted GASB Statement No. 66 "Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62". The requirements of this Statement resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports.

This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate.

On July 2, 2013, WWU adopted GASB Statement No. 70 "Accounting and Financial Reporting for Non-exchange Financial Guarantees". The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend non-exchange financial guarantees and by those governments that receive non-exchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending non-exchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee.

This Statement specifies the information required to be disclosed by governments that extend non-exchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive non-exchange financial guarantees.

On July 1, 2014, WWU adopted GASB Statement No. 68 "Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27". This Statement revises existing standards for employer financial statements relating to measuring and reporting pension liabilities for pension plans provided by WWU to its employees. This Statement requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers", as well as the requirements of Statement No. 50, "Pension Disclosures", as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures.

On July 1, 2014, WWU adopted GASB Statement No. 69 "Government Combinations and Disposals of Government Operations". This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

On July 1, 2014, WWU adopted GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68". The objective of this Statement is to

address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

OTHER ACCOUNTING POLICIES

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). Cash and cash equivalents that are held with the intent to fund WWU operations are classified as current assets along with operating funds invested in the LGIP. Cash, cash equivalents, and investments that represent unspent bond proceeds or are held with the intent to fund capital projects are classified as noncurrent assets. Endowment investments are also classified as noncurrent assets. WWU records all cash and cash equivalents at cost and investments at fair value.

WWU combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated on a proportional basis. The internal investment pool is comprised of cash, cash equivalents, certificates of deposit, U.S. Treasuries and U.S. Agency securities.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from the Federal government, State and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to WWU's grants and contracts. Accounts receivable are shown net of estimated uncollectible amounts.

Inventories

Inventories are stated at cost using various methods: retail, first-in, first-out (FIFO), or average cost.

Capital Assets

Capital assets are defined as assets with an initial individual cost of \$5,000 or more, or \$1 million or more for intangible assets, and an estimate useful life in excess of one year. Capital assets consist of buildings, furniture, equipment, and intangible assets recorded at cost or, if donated, at their estimated fair value at the date of donation. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Interest expense incurred during capital construction is capitalized as part of the building cost. Depreciation is computed using the straight line method over the estimated useful lives of the assets, generally 40 to 50 years for buildings, 20 to 25 years for infrastructure and land improvements, 15 years for library resources, and 5 to 7 years for equipment.

Deferred outflows of resources and deferred inflows or resources.

WWU classifies gains on retirement of debt as deferred inflows of resources and losses as deferred outflows of resources and amortizes such amounts as a component of interest expense over the remaining life of the old debt, or the new debt, whichever is shorter.

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.

Bond Premiums/Discounts

Bond premiums/discounts are deferred and amortized over the term of the bonds using the effective interest method. The remaining balances of bond premiums/discounts are presented in the Statement of Net Position net of the face amount of bonds payable.

Net pension obligations

WWU records pension obligations equal to the net pension liability for its defined benefit plans. The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The fiduciary net position and changes in net position of the defined benefit plans has been measured consistent with

the accounting policies used by the plans. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. Pension expense is recognized for benefits earned during the measurement period, interest on the unfunded liability and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows and are recognized over the average expected remaining service period for employees eligible for pension benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

Unearned revenues

Unearned revenues occur when revenues have been collected for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but relate to services to be provided in the following fiscal year.

Restatement of Net Position

During FY 2015, WWU adopted GASB Statement No. 68 "Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27". Statement No. 68 requires that WWU record in its statements its proportional share of the State's net pension liability for the defined benefit pension plans that are administered by the State and to restate the beginning net position of the earliest period presented. The amount of restatement to the beginning FY 15 net position was \$31.5 million. The amount of the net pension liability is \$24.1 million. The net pension liability information is provided to WWU by the Department of Retirement Systems (DRS) and the Office of State Actuary (OSA). The information provided by DRS and OSA only allowed WWU to restate FY 15 beginning net position due to the measurement period of June 30, 2014 for the net pension liability.

Net Position

WWU's net position is classified as follows:

Net investment in capital assets

This represents WWU's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred, but not

yet expended for capital assets, such amounts are not included as a component of capital assets but are included as a component of restricted expendable net position described below.

Restricted net position, expendable

Restricted expendable include resources in which WWU is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted net position, nonexpendable

Nonexpendable restricted consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net position

Unrestricted represent resources derived from student tuition and fees, State appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of WWU, and may be used at the discretion of the governing board to meet expenses. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide goods and service for students, faculty and staff.

Classification of Revenues and Expenses

WWU has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

Operating revenues

Operating revenues include activities that have the characteristics of exchange transactions such as: (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) most Federal, State and local grants and contracts, and (4) interest on institutional student loans.

Operating expenses

Operating expenses are those costs incurred in daily operations, such as salaries and wages, benefits, scholarships and fellowships expenses, depreciation, utilities, and supplies.

Nonoperating revenues

Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as State appropriations, Federal Pell grant revenue and investment income.

Nonoperating expenses

Nonoperating expenses include costs related to financing or investing activities such as interest on indebtedness.

Other Revenues

Other revenues include activities that have the characteristics of non-exchange transactions, such as state capital appropriations and gifts to endowments.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by WWU, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or nonoperating revenues in WWU's financial Statement. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, WWU has recorded a scholarship discount and allowance.

Tax Exemption

WWU is a tax-exempt instrumentality of the State of Washington organized under the provisions of Section 115(a) of the Internal Revenue Code and is exempt from Federal income taxes on related income.

Reclassifications

Certain accounts in the prior year financial statement may have been reclassified for comparative purposes to conform to the presentation in the current year financial statement.

2. COMPONENT UNIT

The Western Washington University Foundation (the Foundation) is a discretely presented component unit of WWU. The language in the Foundation's bylaws satisfies the "direct benefit" criterion, and the "entitlement/ability to access" criterion is met due to the Foundation's history of supporting WWU. The "significance" criterion is met because the combined resources used by WWU activities and the restricted resources held by the Foundation are deemed to be significant to WWU, regardless of the extent to which those resources may be used for "in-kind".

The Foundation presents information about its financial

position and activities according to the following three classes of net position, depending on the existence and nature of donor restrictions:

Unrestricted net assets

Support received that is not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control is classified as unrestricted.

Temporarily restricted net assets

Support received subject to donor-imposed use restrictions or time restrictions that will be met either through actions of the Foundation or by the passage of time is classified as temporarily restricted. In the period donor restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets

Support received subject to donor-imposed restrictions stipulating that funds be invested in perpetuity is classified as permanently restricted. In accordance with purposes stipulated by the donors, earnings from such funds may be either unrestricted or temporarily restricted.

3. CASH AND CASH EQUIVALENTS

WWU combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated to the departments on a proportional basis. The internal investment pool is comprised of cash and cash equivalents and investments.

Cash and cash equivalents include cash on hand, petty cash, change funds, bank balances, and funds held in the Local Government Investment Pool (LGIP).

Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP is an unrated investment pool.

At June 30, 2015 and 2014, the carrying amount of cash and cash equivalents is \$41,325,921 and \$42,660,658, respectively. These balances include restricted cash and

cash equivalents of \$868,090 and \$883,514 in Recreation Center renewal and replacement funds at June 30, 2015 and 2014, respectively. The carrying amount of cash and cash equivalents approximates the market value.

4. INVESTMENTS

Investments include internally pooled cash operating funds, renewal and replacement funds, unspent bond proceeds, and University endowment funds.

WWU held \$6,036,446 and \$6,036,447 in certificates of deposits in pooled investments at June 30, 2015 and 2014, respectively. WWU held \$65,076,050 and \$55,025,950 in U.S. Agency and Treasury securities in the investment pool at June 30, 2015 and 2014, respectively.

The Housing and Dining System Renewal and Replacement fund held \$3,048,225 and \$3,050,772 as of June 30, 2015 and 2014, respectively. This was separately invested in CDs and U.S. Agencies.

University endowment funds are held and managed by the Western Washington University Foundation (the Foundation). The endowment funds are invested in accordance with the Foundation policy under the direction of the Foundation Finance and Audit Committee (the Committee). The committee is responsible for reviewing and defining investment policy, monitoring investment performance, and recommending managers to oversee the investment of the portfolio. The Committee reviews and updates its investment policy every three years.

As of June 30, 2015, WWU's Endowment funds are comprised of \$6,797,881 in donor restricted and unrestricted funds and \$5,718,720 in Quasi-endowments. As of June 30, 2014, the balances were \$6,801,482 and \$5,588,660 respectively.

Credit (Quality) Risk

Credit risk is the risk that an issuer or other counterparty will not fulfill its obligations. Statutory and policy constraints with regard to the types of instruments available for investment limit WWU's exposure to this risk. Instruments available for investment include obligations of the US Treasury and agency securities and certificates of deposit. The certificates of deposit held in the internal investment pool are insured by the Federal Deposit Insurance Company (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). US Treasury and Agency securities are rated at least AA by the three major rating agencies

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty, WWU will not be able to recover the value of the investment. As of June 30, 2015 WWU had \$65,076,050 in US Agencies and Treasuries held in custody by Bank of New York Mellon in WWU's name.

Interest Rate Risk

WWU manages its exposure to fair value losses in the internal investment pool by targeting the portfolio duration to 2.25 years and limiting the weighted average maturity to a maximum of 3 years. WWU generally does not invest operating funds in securities maturing more than 5 years from the date of purchase.

Endowment funds are invested under the Foundation Investment Policy guidelines. These guidelines include the primary objective of achieving long-term growth, while using prudent investing practices and do not limit investment maturities as a means to managing interest rate exposure.

Concentration of Credit Risk

Concentration of credit risk for investments is the risk of loss attributable to the magnitude of an investment in a single issuer. WWU's operating investment policy limits per issuer holdings to 5%, with the exception of U.S. Treasuries (100%), U.S. Agencies (35% per agency), and Certificates of Deposit (10%).

The Endowment Investment Policy limits the endowment investments to no more than 5% of the portfolio for a single issuer, with the exception of U.S. government and agency securities.

At June 30, 2015, WWU held the following in cash, cash equivalents and investments:

Description	Fair Value	Weighted Average Maturity (in Years)
WWU Investment Pool:		
Cash & Cash Equivalents	\$41,325,921	0.001
Time Certificates of Deposits (CDs)	6,036,447	1.033
U.S. Treasuries	19,963,300	24.100
U.S. Agencies	45,112,750	1.614
WWU Endowment Funds:		
Cash & cash equivalents	12,360	
Fixed income investments:		
U.S. Treasuries	126,019	12.200
U.S. Agencies	283,543	4.500
Other fixed income	1,883,013	n/a
Equity investments	7,349,402	n/a
Real estate	506,592	n/a
Alternative investments	2,355,672	n/a
Other Investments:		
Renewal and Replacement Time CDs	1,521,563	1.241
Renewal and Replacement U.S. Agencies	1,526,662	2.877
Miscellaneous	<u>1,010</u>	n/a
TOTAL CASH AND INVESTMENTS	\$128,004,254	

At June 30, 2014, WWU held the following in cash, cash equivalents and investments:

Description	Fair Value	Weighted Average Maturity (in Years)
WWU Investment Pool:		
Cash & Cash Equivalents	\$42,660,658	0.001
Time Certificates of Deposits (CDs)	6,036,446	2.033
U.S. Treasuries	5,005,250	1.085
U.S. Agencies	50,020,700	2.657
WWU Endowment Funds:		
Cash & cash equivalents	105,792	
Fixed income investments:		
U.S. Treasuries	108,741	14.600
U.S. Agencies	524,885	4.700
Other fixed income	1,457,548	n/a
Equity investments	8,064,962	n/a
Real estate	600,105	n/a
Alternative investments	1,528,109	n/a
Other Investments:		
Renewal and Replacement Time CDs	1,521,563	2.241
Renewal and Replacement U.S. Agencies	1,529,209	0.907
Miscellaneous	<u>1,010</u>	n/a
TOTAL CASH AND INVESTMENTS	\$119,164,978	

5. FUNDS WITH STATE TREASURER

This account represents WWU's share of net earnings of the State of Washington Normal School Permanent Fund and the building fee portion of tuition, reduced by expenditures for capital projects and debt service incurred over the years. The Normal School Permanent Fund, established under RCW 43.79.160, is a permanent endowment fund. Earnings from the investment are either reinvested or used for the benefit of Central Washington University, Eastern Washington University, Western Washington University, and The Evergreen State College.

The investing activities are the responsibility of the Washington State Treasurer's Office. The primary sources of new principal for the Normal School Permanent fund are revenues, primarily timber sales, from certain State lands. The State lands include 100,000 acres granted by the United States government for state normal schools and are managed by the State Department of Natural Resources.

WWU's combined earnings and distributions on the fund for the years ending June 30, 2015 and 2014 are \$2,681,519 and \$2,721,735, respectively, which are reported as other capital revenue along with any capital gifts or contributions.

6. ACCOUNTS RECEIVABLE, NET

At June 30, 2015 and 2014, the major components of accounts receivable are as follows:

	2015	2014
Student tuition and fees	\$3,144,781	\$4,037,992
Federal, State and private grants and contracts	2,402,842	1,653,891
Auxiliary enterprises and other operating activities	<u>2,204,145</u>	<u>1,741,350</u>
Total accounts receivable	7,751,768	7,433,233
Less allowance for doubtful accounts	<u>(1,023,209)</u>	<u>(861,864)</u>
Accounts receivable, net	<u>\$6,728,559</u>	<u>\$6,571,369</u>

7. STUDENT LOANS RECEIVABLE, NET

At June 30, 2015 and 2014, student loans receivable are as follows:

	2015	2014
Federal Perkins student loans	\$8,641,008	\$8,790,081
Other long-term loans	26,386	41,387
Institutional loans	<u>54,232</u>	<u>51,295</u>
Total student loans	8,721,626	8,882,763
Less allowance for doubtful accounts	<u>(898,434)</u>	<u>(961,461)</u>
Student loans receivable, net	<u>\$7,823,192</u>	<u>\$7,921,302</u>

8. INVENTORIES

At June 30, 2015 and 2014, inventories, stated at cost using various methods: retail, first-in, first-out (FIFO), or average cost, consist of the following:

	Valuation Method	2015	2014
Location			
Bookstore	Retail	\$996,885	\$975,475
Central Stores	Average Cost	24,784	19,001
Facilities Maintenance	FIFO	231,020	136,895
Lock Shop	FIFO	189,685	191,920
Other inventory	FIFO	<u>266,397</u>	<u>132,195</u>
Total inventory		<u>\$1,708,771</u>	<u>\$1,455,486</u>

9. LAND AND CAPITAL ASSETS, NET

The depreciation expense for the fiscal years ended June 30, 2015 and 2014 was \$24,912,316 and \$24,390,381, respectively.

Following are the changes in land and capital assets for the year ended June 30, 2015:

	6/30/2014	Additions	Reductions	6/30/2015
Non-depreciable Capital Assets				
Land	\$12,049,317			\$12,049,317
Construction in progress	<u>9,801,678</u>	<u>12,193,530</u>		<u>21,995,208</u>
Total non-depreciable capital assets	<u>\$21,850,995</u>	<u>\$12,193,530</u>		<u>\$34,044,525</u>
Depreciable Capital Assets				
Infrastructure	\$52,945,934			\$52,945,934
Buildings	415,152,405	2,271,718		417,424,123
Furniture, fixtures and equipment	39,252,724	3,544,226	181,776	42,615,174
Library materials, art collection	53,309,434	205,476		53,514,910
Improvements	<u>143,610,344</u>	<u>1,181,701</u>		<u>144,792,045</u>
Total depreciable capital assets	<u>704,270,841</u>	<u>7,203,121</u>	<u>181,776</u>	<u>711,292,186</u>
Less Accumulated Depreciation				
Infrastructure	27,389,858	1,326,517		28,716,375
Buildings	154,105,368	11,055,200		165,160,568
Furniture, fixtures and equipment	29,161,522	3,520,358	177,206	32,504,674
Library materials, art collection	43,419,019	1,495,443		44,914,462
Improvements	<u>38,899,523</u>	<u>7,514,798</u>		<u>46,414,321</u>
Total accumulated depreciation	<u>292,975,290</u>	<u>24,912,316</u>	<u>177,206</u>	<u>317,710,400</u>
Capital Assets, Net of depreciation	<u>\$411,295,551</u>	<u>(\$17,709,195)</u>	<u>\$4,570</u>	<u>\$393,581,786</u>

Following are the changes in land and capital assets for the year ended June 30, 2014:

	6/30/2013	Additions	Reductions	6/30/2014
Non-depreciable Capital Assets				
Land	\$12,772,593		\$723,276	\$12,049,317
Construction in progress	23,727,877	(13,926,199)		9,801,678
Total non-depreciable capital assets	\$36,500,470	(13,926,199)	\$723,276	\$21,850,995
Depreciable Capital Assets				
Infrastructure	\$52,945,934			\$52,945,934
Buildings	397,986,330	17,994,547	828,472	415,152,405
Furniture, fixtures and equipment	37,821,788	2,310,198	879,262	39,252,724
Library materials, art collection	53,131,868	177,566		53,309,434
Improvements	132,878,741	10,731,603		143,610,344
Total depreciable capital assets	674,764,661	31,213,914	1,707,734	704,270,841
Less Accumulated Depreciation				
Infrastructure	26,045,261	1,344,597		27,389,858
Buildings	143,792,256	10,617,826	304,714	154,105,368
Furniture, fixtures and equipment	26,328,086	3,712,698	879,262	29,161,522
Library materials, art collection	41,813,999	1,605,020		43,419,019
Improvements	31,789,283	7,110,240		38,899,523
Total accumulated depreciation	269,768,885	24,390,381	1,183,976	292,975,290
Capital Assets, Net of depreciation	\$404,995,776	\$6,823,533	\$523,758	\$411,295,551

10. ART COLLECTIONS

WWU has several collections of art that it does not capitalize. The Outdoor Sculpture Collection is a public art collection displayed throughout the entire campus. There are also collections of 19th and 20th century prints and drawings, the Whittington Collection of Asian Ceramics, and the Chair Collection. These collections adhere to WWU's policy to (a) maintain them for public exhibition, education, or research; (b) protect, keep unencumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. WWU's policy is to permit collections maintained in this manner to be charged to operations at the time of purchase rather than capitalized.

11. COMPENSATED ABSENCES

The accrued leave balances as of June 30, 2015 and 2014 are \$8,145,435 and \$7,968,633, respectively. This consists of unused vacation leave and compensatory time earned for exempt professionals and classified staff. It also includes a percentage of earned and unused sick leave for exempt professionals and classified staff. For reporting purposes, the entire balance of accrued leave is considered a current liability.

In 2004, WWU began participating in the Voluntary Employees' Beneficiary Association Medical Expense Plan (VEBA-MEP). The plan is a post-retirement medical expense reimbursement account available to professional staff employees of WWU. The VEBA-MEP enables WWU to deposit funds equivalent to the cash-out of compensable unused sick leave at retirement, tax free to a VEBA trust account on the employee's behalf.

Funds deposited into a VEBA-MEP account, as well as the earnings on the accounts, are not subject to federal income or social security taxes. During FY 2015 and FY 2014, \$190,390 and \$167,268, respectively, were contributed to VEBA accounts by WWU on behalf of employees.

12. NOTES PAYABLE

WWU finances certain land and equipment purchases through certificates of participation issued by the Washington State Treasurer. WWU's debt service requirements for these agreements for the next five years and thereafter are as follows:

Fiscal Year	Principal	Interest
2016	\$518,347	\$150,968
2017	465,062	133,975
2018	451,003	120,157
2019	385,000	107,955
2020	395,000	94,815
2021-2025	1,905,000	257,081
2026-2030	370,000	16,875
Total	\$4,489,412	\$881,826

13. BONDS PAYABLE

Bonds payable consist of revenue bonds issued by WWU for Housing and Dining System facilities and the Wade King Student Recreation Center. Bonds outstanding are shown on the following page.

Housing and Dining Revenue Bonds

As specified in Master Resolution 97-09, the Housing and Dining System (the System) Revenue Fund is used to pay operating expenses, principal and interest, fund debt service reserve accounts required in subsequent series resolutions, pay the renewal and replacement fund and, if desired, retire debt in the open market. Net revenues are pledged to equal at least 125% of debt service. The System has funded a reserve account for debt service, and maintains a renewal and replacement fund equal to at least 5% of outstanding bonds.

The Housing and Dining System has the following outstanding bond issues:

Series 2015 Revenue and Refunding bonds with interest rates ranging from 2.0% to 5.0% and an aggregate face value of \$13,435,000 and June 30, 2015, which is reported net of the original issue premium of \$1,857,291.

Series 2012 Revenue and Refunding Bonds with interest rates ranging from 3.0% to 5.0% and an aggregate face value of 7,690,000 at June 30, 2015, which is reported net of the original issue premium of \$363,976.

Series 2009 A Revenue Bonds with interest rates ranging from 4.0% to 7.4% and an aggregate face value of

\$12,835,000 at June 30, 2015.

Series 1998 Junior Lien Revenue and Refunding Bonds with interest rates ranging from 4.4% to 5.5% and an aggregate face value of \$8,355,000 at June 30, 2015, which is reported net of the unamortized original issue premium of \$73,395.

Wade King Student Recreation Center Revenue and Refunding Bonds

The Recreation Center issued Revenue and Refunding Bonds Series, 2012, on April 30 2012. The bonds bear interest at rates of 3% to 4% and have an aggregate face value of \$23,685,000 at June 30, 2015, which is reported net of the unamortized original issue premium of \$344,655.

Current refunding

On March 4, 2015, the Housing and Dining System issued at par \$13,435,000 Revenue and Refunding Bonds Series 2015. The purpose of the bonds is the refunding of then-outstanding Revenue Bonds Series 2005 and 2006 with a combined principal balance of \$15,935,000. The refunded series 2005 and 2006 bonds carried interest rates of 3.75% to 4.5%. Management expects the refunding will provide a net present value savings of approximately \$1,034,389 in debt service over the life of the new bonds and loss on defeasance of \$511,154. The amount required to refund the 2005 and 2006 bonds remaining plus a refunding premium and underwriter's discount (total of \$15,455,988) were sent directly to the escrow agent, US Bank, and these funds were disbursed completely by June 1, 2015.

The debt service requirements for the revenue/refunding bonds for the next five years and thereafter are as follows:

Fiscal Year	Housing and Dining Revenue and Refunding Bonds		Student Recreation Center Revenue and Refunding Bonds	
	Principal	Interest	Principal	Interest
2016	\$3,010,000	\$2,198,122	\$725,000	\$904,350
2017	3,170,000	2,042,160	750,000	882,600
2018	3,285,000	1,921,943	770,000	860,100
2019	3,390,000	1,797,112	795,000	837,000
2020	3,530,000	1,656,290	815,000	813,150
2021-2025	16,040,000	5,621,766	4,540,000	3,603,475
2026-2030	5,735,000	2,546,220	5,520,000	2,633,800
2031-2035	4,155,000	786,990	6,700,000	1,438,600
2036-2037			3,070,000	185,400
Total	42,315,000	18,570,603	23,685,000	12,158,475
Unamortized premium/ (discount)	2,294,662		344,655	
Total	\$44,609,662	\$18,570,603	\$24,029,655	\$12,158,475

14. PLEDGED REVENUES

WWU has pledged certain revenues, net of specified operating expenses, to repay the principal and interest of revenue bonds. The following is a schedule of the pledged revenues and related debt:

Source of Revenue Pledged	Total Future Revenues Pledged *	Description of Debt	Purpose of Debt	Term of Commitment	Proportion of Debt Service to Pledged Revenues (current yr)
Housing and Dining revenues, net of operating expenses	\$60,885,603	Housing and Dining bonds issued in 1998, 2009, 2012, 2015	Construction and renovation of student housing projects	2034	83.2%
Student Recreation Center gross revenues	\$35,843,475	Student Recreation Center bonds issued in 2012	Construction of the Student Recreation Center	2037	35.9%

* Total future principal and interest payments on debt

15. LONG-TERM LIABILITIES

Following are the changes in long-term liabilities for the years ended June 30, 2015 and 2014:

	6/30/14	Additions/ Amortization	Retirements	6/30/15	Current Portion
Bonds and notes payable					
Revenue and refunding bonds	\$72,442,043	\$15,341,649	\$19,144,376	\$68,639,316	\$3,735,000
Notes payable	4,961,400	45,923	517,910	4,489,413	518,347
Net pension obligation	9,965,408	26,520,328	275,548	36,210,188	376,000
Total long term liabilities	<u>\$87,368,851</u>	<u>\$41,907,900</u>	<u>\$19,937,834</u>	<u>\$109,338,917</u>	<u>\$4,629,347</u>

	6/30/13	Additions/ Amortization	Retirements	6/30/14	Current Portion
Bonds and notes payable					
Revenue and refunding bonds	\$75,482,723	(\$26,393)	\$3,014,287	\$72,442,043	\$3,735,000
Notes payable	5,512,862		551,462	4,961,400	517,910
Net pension obligation	7,760,970	2,449,000	244,562	9,965,408	376,000
Total long term liabilities	<u>\$88,756,555</u>	<u>\$2,422,607</u>	<u>\$3,810,311</u>	<u>\$87,368,851</u>	<u>\$4,628,910</u>

16. LEASES

WWU leases facilities for off-campus office and educational spaces under a variety of agreements. WWU also finances certain equipment through non-cancelable operating leases. At June 30, 2015, future payments under these operating leases are as follows:

Fiscal Year	Lease Payment
2016	\$324,516.66
2017	257,609
2018	234,071
2019	234,776
2020	228,302
2021	148,981
Total minimum lease payments	<u>\$1,428,255.66</u>

17. DEFERRED COMPENSATION

WWU, through the State of Washington, offers its employees a Deferred Compensation Plan created under Internal Revenue Code Section 457. The plan, available to all State employees, permits individuals to defer a portion of their salary until future years. The State of Washington administers the plan on behalf of WWU's employees. WWU does not have legal access to the funds.

18. OPERATING EXPENSES BY FUNCTIONAL CATEGORIES

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications which include salaries, employee benefits, goods and services, and other similar categories.

Operating expenses by functional classification for the years ended June 30, 2015 and 2014 are as follows:

Operating Expenses	2015	2014
Instruction	\$108,020,837	\$101,503,895
Research	6,096,508	5,333,465
Academic Support	13,661,804	13,685,703
Student Services	19,149,372	18,069,416
Institutional Support	20,515,752	19,669,297
Operation and Maintenance of Plant	46,229,209	47,436,065
Scholarships and other student aid	18,031,770	17,620,538
Auxiliary enterprise expenditures	46,691,849	45,437,358
Total operating expenses	\$278,397,101	\$268,755,737

19. PENSION PLANS**A. SUMMARY**

WWU offers five defined benefit pension plans and three defined benefit/defined contribution plans: the Washington State Public Employees' Retirement System (PERS) plans 1-3, the Washington State Teachers Retirement System (TRS) plans 1-3, the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) plan 1 and the Western Washington University Retirement Plan (WWURP).

WWU contributes to PERS, TRS and LEOFF cost sharing multiple-employer defined benefit pension plans administered by the State of Washington Retirement System. Refer to sections B and C of this note for descriptions of these plans.

The payroll for WWU employees covered by PERS for the year ended June 30, 2015 and 2014 is \$34,580,645 and \$33,728,574; the payroll for employees covered by TRS is \$898,552 and \$1,060,622; the payroll covered by WWURP is \$78,790,919 and \$70,445,521; the payroll for LEOFF is \$969,083 and \$957,148, respectively.

WWU implemented Statement No. 68 of the Governmental Accounting Standards Board (GASB)

Accounting and Financial Reporting for Pensions for the fiscal year 2015 financial reporting. WWU's defined benefit pension plans were created by statutes rather than through trust documents. With the exception of the supplemental defined benefit component of the higher education retirement plan, they are administered in a way equivalent to pension trust arrangements as defined by the GASB.

In accordance with Statement No. 68, WWU has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities.

The state Legislature establishes and amends laws pertaining to the creation and administration of all state public retirement systems. Additionally the state Legislature authorizes state agency participation in plans other than those administered by the state.

Basis of Accounting

Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all plans and additions to/deductions from all plan fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for WWU, for fiscal year 2014:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (24,071,328)
Pension assets	752,620
Deferred outflows of resources related to pensions	3,648,257
Deferred inflows of resources related to pensions	(10,464,227)
Pension expense/expenditures	(1,411,525)

Investments

The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB-adopted investment policies for the various asset classes in which the WSIB invests.

Department of Retirement Systems

As established in chapter 41.50 of the Revised Code of Washington (RCW), the Department of Retirement Systems (DRS) administers eight retirement systems covering eligible employees of the state and local governments. The Governor appoints the director of the DRS. The DRS administered systems that WWU offers its employees are comprised of five defined benefit pension plans and two defined benefit/defined contribution plans. Below are the DRS plans that WWU offers its employees:

- **Public Employees' Retirement System (PERS)**
Plan 1 - defined benefit

Plan 2 - defined benefit
Plan 3 - defined benefit/defined contribution

- **Teachers' Retirement System (TRS)**
Plan 1 - defined benefit
Plan 2 - defined benefit
Plan 3 - defined benefit/defined contribution
- **Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)**
Plan 2 - defined benefit

Although some assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan in accordance with the terms of the plan.

Administration of the PERS, TRS, and, LEOFF, systems and plans was funded by an employer rate of 0.18 percent of employee salaries.

The DRS prepares a stand-alone financial report that is compliant with the requirements of Statement 67 of the Governmental Accounting Standards Board. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or online at <http://www.drs.wa.gov/administration/annual-report/>.

Higher Education As established in chapter 28B.10 RCW, eligible higher education state employees may participate in higher education retirement plans. These plans include a defined contribution plan administered by a third party with a supplemental defined benefit component (on a pay as you go basis) which is administered by the state.

B. DEFINED CONTRIBUTION PLANS

Western Washington University Retirement Plan (WWURP)

Plan Description

The WWURP is a defined contribution single employer pension plan with a supplemental payment when required. The plan covers faculty, professional staff, and certain other employees. It is administered by WWU. WWU's Board of Trustees is authorized to establish and amend benefit provisions.

Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have at all times a 100% vested interest in their accumulations.

Funding Policy

Employee contribution rates, which are based on age, range from 5% to 10% of salary. WWU matches the employee contributions. All required employer and employee contributions have been made.

The WWURP contributions for the years ending June 30, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Employee	\$6,676,394	\$6,221,794	\$5,906,235
University	\$6,676,724	\$6,219,353	\$5,938,412

Supplemental Component

The supplemental payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date.

WWU makes direct payments to qualified retirees when the retirement benefit provided by the fund sponsor does not meet the benefit goal.

WWU received an actuarial evaluation of the supplemental component of the WWURP during fiscal 2013. The previous evaluation was performed in 2011. The Unfunded Actuarial Accrued Liability (UAL) calculated as of June 30, 2013 and 2011 was \$17,924,000 and

\$10,035,000 respectively, and is amortized over an 11 year period.

The Annual Required Contribution (ARC) of \$2,449,000 consists of amortization of the UAL (\$1,730,000), normal cost (or current cost) (\$669,000) and interest. The UAL and ARC were established using the entry age normal cost method.

The actuarial assumptions included an investment rate of return of 4.25% to 7.25% and projected salary increases of 3.0%. Approximately \$78,790,919 and \$70,445,521 of WWU's payroll were covered under this plan during fiscal 2015 and fiscal 2014, respectively.

The following table reflects the activity in the Net Pension Obligation for the year ended June 30, 2015:

Balance as of June 30, 2013	\$7,760,970
Annual Required Contribution FY14	2,449,000
Payments to Beneficiaries FY14	(244,562)
Balance as of June 30, 2014	9,965,408
Annual Required Contribution FY15	2,449,000
Payments to Beneficiaries FY15	(275,548)
Balance as of June 30, 2015	<u>\$12,138,860</u>

Public Employees' Retirement System Plan 3

Plan Description

The Public Employees' Retirement System (PERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to

section C of this note for all PERS Plan descriptions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribu-

tion component range from 5 to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in PERS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions adjusted by earnings and losses from investments of those contributions upon separation from PERS-covered employment.

Teachers' Retirement System Plan 3

Plan Description

The Teachers' Retirement System (TRS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to section C of this note for all TRS Plan descriptions.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of TRS Plan 3.

TRS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, TRS Plan 3 investments are made in the retirement strategy fund that assumes the member will retire at age 65.

TRS Plan 3 defined contribution benefits are financed from employee contributions and investment earnings.

Members in TRS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions adjusted by earnings and losses from investments of those contributions upon separation from TRS-covered employment.

C. STATE PARTICIPATION IN PLANS ADMINISTERED BY DRS

Public Employees' Retirement System

Plan Description

The Legislature established the Public Employees' Retirement System (PERS) in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by either, February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to PERS Plan 3.

PERS participants joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees, have

the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3.

Refer to section B of this note for a description of the defined contribution component of PERS Plan 3.

Benefits Provided. PERS plans provide retirement, disability, and death benefits to eligible members.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service capped at 60 percent. The AFC is the average of the member's 24 highest consecutive service months.

PERS Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Plan 1 members may elect to receive an optional cost of living allowance (COLA) that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service. This is reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC. Plan 1 members may elect to receive an optional COLA amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. There is no cap on years of service credit and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months.

PERS Plan 2 members have the option to retire early with reduced benefits.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC

per year of service. There is no cap on years of service credit. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

PERS Plan 3 members have the option to retire early with reduced benefits.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

Contributions. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Contribution requirements are established and amended by state statute.

Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee defined benefit contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

Required contribution rates for fiscal year 2014 are presented in the table in section C.1 of this note.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2013 with the results rolled forward to the June 30, 2014 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published

by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2013 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.50 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

Asset Class	Target	Long-Term Expected
	Allocation	Real Rate of Return
Fixed Income	20%	0.80%
Tangible Assets	5%	4.10%
Real Estate	15%	5.30%
Global Equity	37%	6.05%
Private Equity	23%	9.05%
Total	100%	

The inflation component used to create the above table is 2.70 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the fiscal year 2014 reporting period.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/Asset

At June 30, 2014, WWU reported \$16.13 million for its proportionate share of the collective net pension liability for PERS 1 and \$7.42 million for PERS 2/3.

WWU's proportion for PERS 1 was 0.320 percent, a decrease of 0.002 percent since the prior reporting period, and 0.367 percent for PERS 2/3, an increase of 0.005 percent. The proportions are based on WWU's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/Asset to Changes in the Discount Rate. The following presents the net pension liability/asset of WWU as an employer, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate.

PERS 1 Employer's proportionate share of Net Pension Liability (Asset)		
1% Decrease	\$	19,881,648
Current Discount Rate	\$	16,129,871
1% Increase	\$	12,909,343

PERS 2/3 Employer's proportionate share of Net Pension Liability (Asset)		
1% Decrease	\$	30,954,760
Current Discount Rate	\$	7,421,044
1% Increase	\$	(10,554,337)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2014, WWU recognized a PERS 1 pension expense of \$610 thousand, and recognized a PERS 2/3 pension expense of \$(1.90) million. At June 30, 2014, PERS 1 and PERS 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$	\$
Changes of assumptions		
Net Difference between projected and actual earnings on pension plan investments		2,016,951
Change in proportion		
Contributions subsequent to the measurement date	124,718	
Total	\$124,718	\$2,016,951

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$	\$
Changes of assumptions		
Net Difference between projected and actual earnings on pension plan investments		7,866,375
Change in proportion	171,635	
Contributions subsequent to the measurement date	3,141,736	
Total	\$3,313,371	\$7,866,375

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30:

PERS 2/3		
2015	\$	38,141
2016	\$	38,141
2017	\$	38,141
2018	\$	38,141
2019	\$	19,071
Thereafter	\$	

Teachers' Retirement System

Plan Description. The Legislature established the Teachers' Retirement System (TRS) in 1938. TRS retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and may be amended only by the Legislature. Eligibility for membership requires service as a certificated public school employee working in an instructional, administrative, or supervisory capacity. TRS is comprised principally of non-state agency employees.

TRS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered

a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

TRS members who joined the system by September 30, 1977, are a Plan 1 member. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by June 30, 1996, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. TRS members joining the system on or after July 1, 1996 are members of TRS Plan 3.

Legislation passed in 2007 gives TRS members hired on or after July 1, 2007, 90 days to make an irrevocable choice to become a member of TRS Plan 2 or Plan 3. At the end of 90 days, any member who has not made a choice becomes a member of Plan 3.

Refer to section B of this note for a description of the defined contribution component of TRS Plan 3.

Benefits Provided. TRS plans provide retirement, disability, and death benefits to eligible members.

TRS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) for each year of service credit, up to a maximum of 60 percent. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two.

TRS Plan 1 members may elect to receive an optional cost of living allowance (COLA) amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

TRS Plan 2 retirement benefits are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually. TRS Plan 2 members have the option to retire early with reduced benefits. The AFC is the average of the member's 60 highest paid consecutive months.

The defined benefit portion of TRS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per

year of service. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

TRS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in TRS Plan 2 by July 1, 1996. Plan 3 members are immediately vested in the defined contribution portion of their plan. TRS Plan 3 members have the option to retire early with reduced benefits.

TRS members meeting specific eligibility requirements, have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

Contributions. TRS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine the contribution requirements are established under state statute.

Members in TRS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from TRS-covered employment.

Required contribution rates for fiscal year 2014 are presented in the table in section C.1 of this note.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2013 with the results rolled forward to the June 30, 2014 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied

on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2013 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.50 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	0.80%
Tangible Assets	5%	4.10%
Real Estate	15%	5.30%
Global Equity	37%	6.05%
Private Equity	23%	9.05%
Total	100%	

The inflation component used to create the above table is 2.70 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the fiscal year 2014 reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including TRS Plan 2/3, whose rates include a component for the TRS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/Asset

At June 30, 2014, WWU reported a liability of \$485 thousand for its proportionate share of the collective net pension liability for TRS 1 and \$35 thousand for TRS 2/3. WWU's proportion for TRS 1 was 0.016442 percent, an increase of 0.00143 percent since the prior reporting period, and 0.010980 percent for TRS 2/3, an increase of 0.00317 percent. The proportions are based on WWU's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/Asset to Changes in the Discount Rate. The following presents the net pension liability/asset of WWU as an employer, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate.

TRS 1 Employer's proportionate share of Net Pension Liability (Asset)		
1% Decrease	\$	624,064
Current Discount Rate	\$	484,949
1% Increase	\$	365,537

TRS 2/3 Employer's proportionate share of Net Pension Liability (Asset)		
1% Decrease	\$	308,256
Current Discount Rate	\$	35,464
1% Increase	\$	(167,302)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2014, WWU recognized a TRS 1 pension expense of \$57 thousand, and recognized a TRS 2/3 pension expense of \$(51) thousand. At June 30, 2014, TRS 1 and TRS 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TRS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$	\$
Changes of assumptions		
Net Difference between projected and actual earnings on pension plan investments		85,038
Change in proportion		
Contributions subsequent to the measurement date	15,275	
Total	\$15,275	\$85,038

TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$	\$
Changes of assumptions		
Net Difference between projected and actual earnings on pension plan investments		81,384
Change in proportion	28,511	
Contributions subsequent to the measurement date	81,324	
Total	\$109,835	\$81,384

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30:

TRS 2/3		
2015	\$	5,091
2016	\$	5,091
2017	\$	5,091
2018	\$	5,091
2019	\$	5,091
Thereafter	\$	3,056

Law Enforcement Officers' and Fire Fighters' Retirement System

Plan Description. The Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) was established in 1970 by the Legislature. LEOFF retirement benefit provisions are established in chapter 41.26 RCW and may be amended only by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers who were first included effective July 27, 2003, being an exception.

LEOFF is a cost-sharing, multiple-employer retirement system, comprised of two separate defined benefit plans. LEOFF members who joined the system on or after October 1, 1977, are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The board's duties include adopting contribution rates and recommending policy changes to the Legislature.

Benefits Provided. LEOFF Plan 2 provides retirement, disability, and death benefits to eligible members.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service. FAS is based on the highest consecutive 60 months. Members who retire prior to the age of 53 receive reduced benefits.

A cost of living allowance (COLA) is granted based on the Consumer Price Index, capped at 3 percent annually.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

Contributions. LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through legislative appropriations.

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The methods used to determine the contribution requirements are established under state statute.

Members in LEOFF Plan 2 can elect to withdraw total employee contributions and interest earnings upon separation from LEOFF-covered employment.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. For fiscal year 2014, the state contributed \$55.6 million to LEOFF Plan 2.

Beginning in 2011, when state General Fund revenues increase by at least 5 percent over the prior biennium's revenues, the State Treasurer will transfer, subject to legislative appropriation, specific amounts into a Local Public Safety Enhancement Account. Half of this transfer will be proportionately distributed to all jurisdictions with LEOFF Plan 2 members. The other half will be transferred to a LEOFF Retirement System Benefits Improvement Account to fund benefit enhancements for LEOFF Plan 2 members. However, this special funding situation is not mandated by the State Constitution and this funding requirement could be returned to the employers by a change of statute.

Required contribution rates for fiscal year 2014 are presented in the table in section C.1 of this note.

The following information applies to WWU as a LEOFF 2 employer.

Actuarial Assumptions. The total net pension asset was determined by an actuarial valuation as of June 30, 2013 with the results rolled forward to the June 30, 2014 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2013 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.50 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term

downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	0.80%
Tangible Assets	5%	4.10%
Real Estate	15%	5.30%
Global Equity	37%	6.05%
Private Equity	23%	9.05%
Total	100%	

The inflation component used to create the above table is 2.70 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the fiscal year 2014 reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/Asset

At June 30, 2014, WWU reported an asset of \$753 thousand for its proportionate share of the collective net pension asset for LEOFF 2. WWU's proportion for LEOFF 2 was 0.056714 percent, an increase of 0.00461 percent since the prior reporting period. The proportions are based on WWU's contributions to the pension plan relative to the contributions of all participating employers and the nonemployer contributing entity.

Sensitivity of the Net Pension Liability/Asset to Changes in the Discount Rate. The following presents the net pension liability/asset of WWU as an employer, calculated using the discount rate of 7.50 percent, as well as what the employers' net pension liability/asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate.

LEOFF 2 Employer's proportionate share of Net Pension Liability (Asset)	
1% Decrease	\$ 322,078
Current Discount Rate	\$ (752,620)
1% Increase	\$ (1,559,109)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2014, WWU recognized a LEOFF 2 pension expense of \$(125) thousand. At June 30, 2014, LEOFF 2 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$	\$
Changes of assumptions		
Net Difference between projected and actual earnings on pension plan investments		398,212
Change in proportion		16,267
Contributions subsequent to the measurement date	85,058	
Total	\$85,058	\$414,479

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30:

LEOFF 2		
2015	\$	(2,542)
2016	\$	(2,542)
2017	\$	(2,542)
2018	\$	(2,542)
2019	\$	(2,542)
Thereafter	\$	(3,557)

TABLE 1: Required Contribution Rates

The required contribution rates (expressed as a percentage of current year covered payroll) at June 30, 2014 are as follows:

Required Contribution Rates	Employer (University)			Employee			
	Plan 1	Plan 2	Plan 3	Plan 1	Plan 2	Plan 3	
PERS							
State agencies, local governmental units	9.03%	4.98%	4.98%	*	6.00%	4.92%	**
Administrative fee	0.18%	0.18%	0.18%				
PERS Plan 1 UAAL	0.00%	4.05%	4.05%				
Total	9.21%	9.21%	9.21				
TRS							
State agencies, local governmental units	10.21%	5.84%	5.84%	*	6.00%	4.96%	**
Administrative fee	0.18%	0.18%	0.18%				
TRS Plan 1 UAAL	0.00%	4.37%	4.37%				
Total	10.39%	10.39%	10.39%				
LEOFF							
Ports and universities	N/A	8.41%	N/A	N/A	8.41%	N/A	
Administrative fee		0.18%					
Total		8.59%					

* Plan 3 defined benefit portion only.

** Variable from 5% to 15% based on rate selected by the member.

N/A indicates data not applicable.

TABLE 2: Required Contributions

The required contributions for the years ending June 30, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
PERS			
Employee	\$1,821,241	\$1,756,832	\$1,604,739
University	3,279,158	3,074,774	2,297,067
TRS			
Employee	\$67,322	\$45,491	\$31,890
University	97,538	61,753	36,137
LEOFF			
Employee	\$81,500	\$80,496	\$72,180
University	84,618	82,185	73,545

All required employer and employee contributions have been made.

20. OTHER POST EMPLOYMENT BENEFITS (OPEB)

During the 2008 fiscal year, W WU adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. OPEB are those provided to retired employees beyond those provided by their pension plans. Statement No. 45 requires systematic, accrual-basis measurement and recognition of OPEB expense in the year in which such benefits are earned by the member. Disclosure information, as required under GASB Statement No. 45, does not exist at department levels and, as a result, the net OPEB obligation is recorded in the State of Washington comprehensive annual financial report which is available from:

Office of Financial Management, Insurance Building,
PO Box 43113, Olympia, Washington 98504-3113.

Health care and life insurance programs for employees of the State of Washington are administered by the Washington State Health Care Authority (HCA). The HCA calculates the premium amounts each year that are sufficient to fund the State-wide health and life insurance programs on a pay-as-you-go basis. These costs are passed through to individual state agencies based upon active employee headcount; the agencies pay the premiums for active employees to the HCA. The agencies may also charge employees for certain higher cost options elected by the employees.

State of Washington retirees may elect coverage through state health and life insurance plans, for which they pay less than the full cost of the benefits, based on

their age and other demographic factors.

The health care premiums for active employees, which are paid by the agency during employees' working careers, subsidize the "underpayments" of the retirees. An additional factor in the OPEB obligation is a payment that is required by the State Legislature to reduce the premiums for retirees covered by Medicare (an "explicit subsidy"). For fiscal 2015, this amount was \$150 per retiree eligible for parts A and B of Medicare, per month. This is also passed through to State agencies via active employees rates charged to the agency.

There is no formal State or University plan that underlies the subsidy of retiree health and life insurance. An actuarial study performed by the Washington Office of the State Actuary (OSA) calculated the total OPEB actuarial accrued liability of the State of Washington at January 1, 2015 to be \$10.9 billion.

OSA calculated the OPEB obligation based on individual state employee data, including age, retirement eligibility, and length of service. The probability of an employee of a given age and length of service retiring and receiving OPEB benefits is based on statewide historical data. Since sufficient specific employee data and other actuarial data are not available at levels below the statewide level, such amounts have not been determined nor recorded in WWU's financial statement.

WWU was billed and paid approximately \$15.2 million for active and retiree health care expense during fiscal 2015 and \$17.2 million during fiscal 2014.

21. RISK MANAGEMENT

WWU participates in a State of Washington risk management self-insurance program. Premiums to the State are based on actuarially determined projections and include allowances for payments of both outstanding and current liabilities. WWU self-insures unemployment compensation for all employees.

In addition, sufficient insurance coverage for property casualty loss on the residence halls and the Wade King Student Recreation Center is maintained in accordance with the Housing and Dining System and Wade King Student Recreation Center Master Bond Resolutions.

WWU has been named in several lawsuits. While the final outcome of the lawsuits cannot be predicted with certainty, it is WWU's opinion that the ultimate liability will not materially affect the financial statement.

WWU participates in the State insurance program and is indemnified and will be reimbursed by the State for any claims paid related to these lawsuits.

22. COMMITMENTS

Goods and services for operating and capital projects, contracted for but not yet received, are considered commitments at year end. The amount of these commitments at June 30, 2015 and 2014 are:

	2015	2014
Operating	\$6,733,515	\$5,699,850
Research	1,028,028	665,598
Capital projects	7,300,369	12,513,683
Total commitments	\$15,061,912	\$18,879,131

23. JOINT VENTURE

In FY 2010, WWU participated in the formation of a not-for-profit corporation titled Western Crossing Development Corporation (WCDC). WCDC was formally incorporated pursuant to the articles of incorporation dated October 7, 2009 and is a 501(c) (3) corporation under the Internal Revenue code of 1986, amended. The five member Board of Directors includes a member of WWU Board of Trustees appointed by WWU Board

of Trustees, the President of WWU, a member of the Commission of the Port of Bellingham appointed by the Commission of the Port, the Executive Director of the Port of Bellingham, and a fifth board member who was appointed by a majority vote of the other four board members who are not affiliated with either entity. The board of directors may in the future allow other Washington governments or educational institutions to become members under such terms and conditions as they determine. The purpose of this joint venture is to help facilitate the timely development of new facilities on the Bellingham waterfront. This investment is not reflected on WWU's Statement of Net Position. During FY 2014, WWU transferred \$723 thousand in land and \$524 thousand in buildings, net to the WCDC to facilitate WWU development on the waterfront.

24. FOUNDATION PLEDGED GIFT RECEIVABLE

In April 2012, WWU received a \$1.0 million unconditional pledged gift from the Foundation for the purpose of the design and construction of the Harrington Field project to be located on WWU's campus. The pledged gift to WWU is recorded at its net present value, with the discount amortized over the 8 year payment schedule using the straight line method. During FY 2014, the Foundation made an additional pledge of \$92 thousand to help support the Harrington Field project. The pledge is expected to be paid as follows:

For the year ending June 30,

2016	\$50,000
2017	150,000
2018	150,000
2019	250,000
Thereafter	250,000
	850,000
Less present value discount (0.71%)	(13,291)
Pledged gift receivable from the Foundation, net	\$836,709

Required Supplementary Information

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of WWU's Proportionate Share of the Net Pension Liability

Schedule of WWU's Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 1 Measurement Date of June 30 * <i>(dollars in thousands)</i>	
2014	
WWU PERS 1 employers' proportion of the net pension liability	0.32%
WWU PERS 1 employers' proportionate share of the net pension liability	\$16,130
WWU PERS 1 employers' covered-employee payroll	\$1,754
WWU PERS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.92%
Plan fiduciary net position as a percentage of the total pension liability	61.19%
* As of June 30; this schedule is to be built prospectively until it contains ten years of data.	

Schedule of WWU's Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 2/3 Measurement Date ended June 30 * <i>(dollars in thousands)</i>	
2014	
WWU PERS 2/3 employers' proportion of the net pension liability	0.37%
WWU PERS 2/3 employers' proportionate share of the net pension liability	\$7,421
WWU PERS 2/3 employers' covered-employee payroll	\$31,601
WWU PERS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.02%
Plan fiduciary net position as a percentage of the total pension liability	93.29%
* As of June 30; this schedule is to be built prospectively until it contains ten years of data.	

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of WWU's Proportionate Share of the Net Pension Liability

Schedule of WWU's Proportionate Share of the Net Pension Liability Public Employees' Retirement System (TRS) Plan 1 Measurement Date of June 30 * (dollars in thousands)	
2014	
WWU TRS 1 employers' proportion of the net pension liability	0.02%
WWU TRS 1 employers' proportionate share of the net pension liability	\$485
WWU TRS 1 employers' covered-employee payroll	\$128
WWU TRS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.38%
Plan fiduciary net position as a percentage of the total pension liability	68.77%
* As of June 30; this schedule is to be built prospectively until it contains ten years of data.	

Schedule of WWU's Proportionate Share of the Net Pension Liability Public Employees' Retirement System (TRS) Plan 2/3 Measurement Date ended June 30 * (dollars in thousands)	
2014	
WWU TRS 2/3 employers' proportion of the net pension liability	0.01%
WWU TRS 2/3 employers' proportionate share of the net pension liability	\$35
WWU TRS 2/3 employers' covered-employee payroll	\$470
WWU TRS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.01%
Plan fiduciary net position as a percentage of the total pension liability	96.81%
* As of June 30; this schedule is to be built prospectively until it contains ten years of data.	

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of WWU's Proportionate Share of the Net Pension Liability

Schedule of WWU's Proportionate Share of the Net Pension Liability Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2 Measurement Date of June 30 * <i>(dollars in thousands)</i>	
	2014
WWU LEOFF 2 employers' proportion of the net pension liability	0.06%
WWU LEOFF 2 employers' proportionate share of the net pension liability (asset)	(\$753)
WWU LEOFF 2 employers' covered-employee payroll	\$948
WWU LEOFF 2 employers' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(0.08%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	116.75%
* As of June 30; this schedule is to be built prospectively until it contains ten years of data.	

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	\$124,080	\$124,718	(\$637)	\$1,347,236	9.26%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					

Notes: These schedules will be built prospectively until they contain ten years of data.

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	\$3,047,368	\$3,141,737	(\$94,369)	\$33,087,603	9.50%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					

Notes: These schedules will be built prospectively until they contain ten years of data.

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	\$15,275	\$15,275		\$147,013	10.39%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					

Notes: These schedules will be built prospectively until they contain ten years of data.

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	\$77,145	\$81,324	(\$4,179)	\$742,495	10.95%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					

Notes: These schedules will be built prospectively until they contain ten years of data.

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	\$83,684	\$85,058	(\$1,374)	\$974,206	8.73%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					

Notes: These schedules will be built prospectively until they contain ten years of data.



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HOUSING AND DINING SYSTEM

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HOUSING AND DINING SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015 and 2014

Overview

Western Washington University's Housing and Dining System (the System) maintains over a million square feet of living space - home to 4,000 students. Nine residential communities consist of sixteen residence halls and one apartment complex. Residence halls are all equipped with laundry facilities, computer labs, study areas, community kitchens, TV lounges, game rooms, bicycle storage, 24-hour security, and staffed service desks. Western's campus is a 20-minute walk from end to end, so no matter where students live their classes and activities are nearby.

The following discussion and analysis provides an overview of the financial position and activities of the System for the years ended June 30, 2015, 2014 and 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

Using the Financial Statements

The System's financial report includes the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows.

The statements are formatted following the guidelines of the Governmental Accounting Standards Board (GASB) pronouncements. These financial statements are prepared in accordance with GASB principles, which establish standards for external financial reporting for public colleges and universities. The System's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Statement of Net Position

The Statement of Net Position presents the financial condition of the System at the end of the fiscal years and reports all assets and liabilities of the System.

The amounts in this statement represent the physical assets used to provide the housing, meal, and student activity programs, as well as assets available to continue the operations of the System, also identifying commitments to vendors and bond holders. The difference between assets, deferred outflows, liabilities and deferred inflows is net position. Net position is one indicator of the current financial condition of the System.

Below is a condensed view of the Statement of Net Position as of June 30, 2015, 2014 and 2013:

***HOUSING AND DINING SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2015 and 2014

(Dollars in Thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets			
Current Assets	\$11,584	\$9,326	\$10,009
Noncurrent assets	10,506	9,737	7,564
Capital assets, net	<u>100,253</u>	<u>100,362</u>	<u>100,466</u>
Total assets	122,343	119,425	118,039
Deferred Outflows			
Deferred loss on bonds	995	1,173	1,297
Due to Pension	<u>155</u>	<u>-</u>	<u>-</u>
Total deferred outflows	1,150	1,173	1,297
Liabilities			
Current liabilities	8,054	6,887	6,617
Noncurrent liabilities	<u>43,108</u>	<u>44,651</u>	<u>47,790</u>
Total liabilities	51,162	51,538	54,407
Deferred Inflows			
Due to Pension	517	-	-
Net Position			
Net investment in capital assets	56,638	53,850	51,063
Restricted, expendable	3,314	3,289	3,235
Unrestricted	<u>11,862</u>	<u>11,921</u>	<u>10,631</u>
Total net position	<u><u>\$71,814</u></u>	<u><u>\$69,060</u></u>	<u><u>\$64,929</u></u>

Total current assets increased \$2,258,110 (24.2%) during fiscal 2015 due to an increase in cash and cash equivalents from operating activities and short-term investments. The increase in short-term investments is due to WWU's investment strategy to ensure liquidity needs while optimizing investment returns (See Note 2). Current assets decreased \$683,095 (-6.8%) in fiscal 2014 compared to fiscal 2013 due primarily to a reallocation from short-term to long-term investments.

Total noncurrent assets, excluding capital assets, increased \$769,865 (7.9%) in fiscal 2015 and \$2,171,805 (28.7%) during fiscal 2014 due primarily to an increase in long-term investments, as the System continues to build reserves necessary to implement planned capital projects.

Depreciable and non-depreciable capital assets decreased minimally in both fiscals 2015 and 2014 by \$109,249 (-0.1%) and \$103,292 (-0.1%), respectively, due to accumulated depreciation.

The major project completed during fiscal 2015 was the Buchanan Towers mechanical room. This project allowed the mechanical room to comply with codes and WWU standards. Major projects completed during fiscal 2014 included the Mathes and Ridgeway Alpha residence halls fire sprinklers and the Fairhaven Dining Commons renovation.

Current liabilities increased \$1,167,291 (17.0%) in fiscal 2015 and \$269,300 (4.1%) in fiscal 2014 due to an increase in accounts payable from the timing of invoice payments.

Total noncurrent liabilities decreased \$1,542,593 (-3.5%) during fiscal 2015 due to a reduction in long-term debt from scheduled principal payments combined with an increase in the net pension liability. The increase of

HOUSING AND DINING SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015 and 2014

\$1,508,789 (100.0%) in the net pension liability is due to the System adopting GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – An amendment of GASB Statement No. 27. This statement requires the System to record its share of the actuarially calculated net pension liability of the defined benefit pension plans (see Note 7). Noncurrent liabilities decreased \$3,139,285 (-6.6%) during fiscal 2014 due to scheduled long-term debt principal payments.

Total net position increased \$2,753,918 (4.0%) in fiscal 2015 over fiscal 2014 due to an increase in net investment in capital assets. Total net position increased \$4,131,324 (6.4%) in fiscal 2014 over fiscal 2013 due to an increase in unrestricted net position and the completion of planned renovations.

Net investment in capital assets increased in fiscal 2015 by \$2,788,947(5.2%) primarily due to a decrease in bonds payable from scheduled principal payments. Net investment in capital assets increased in fiscal 2014 by \$2,786,914 (5.5%) due to the capitalization of the fire sprinkler and dining renovation projects combined with reduced capital debt due to principal payments.

Statement of Revenues, Expenses and Changes in Net Position

The changes in total net position, as presented on the Statement of Net Position, are detailed in the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The statement presents the System's results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as operating or non-operating.

In general, operating revenues are those received for providing housing, dining and related services to the customers of the System, the majority of which consists of room and board services to students. Operating expenses are those expenses paid to provide the services and resources to the students in return for the operating revenues.

Non-operating revenues are monies received for which goods and services are not provided, such as investment income. Non-operating expenses include interest expense on outstanding debt and amortization of bond costs. Following is a condensed view of the Statements of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30, 2015, 2014 and 2013:

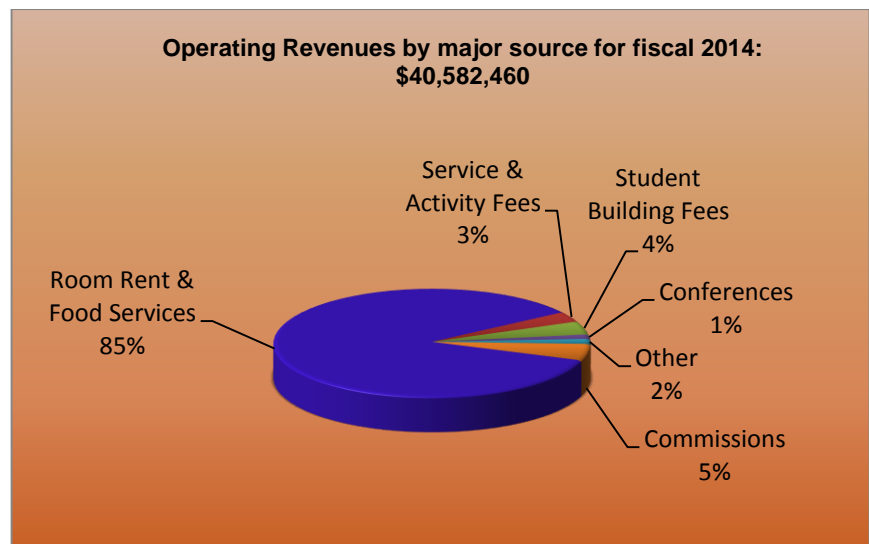
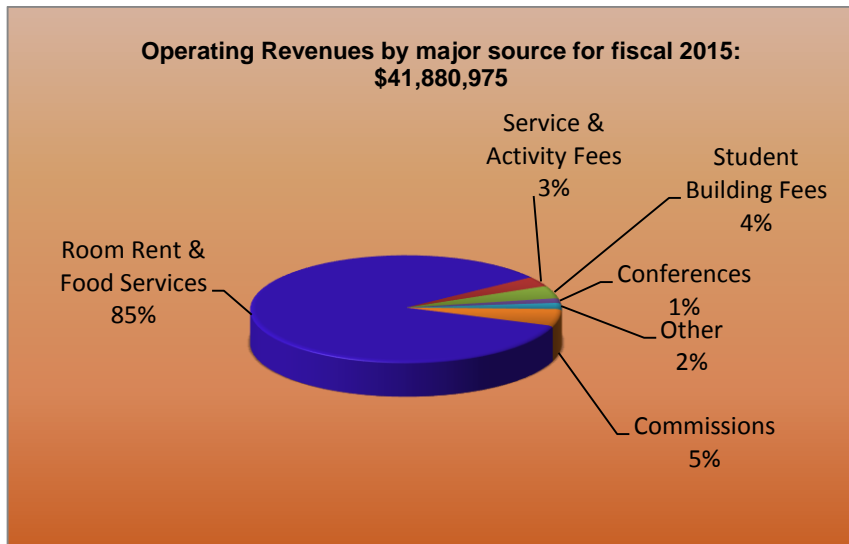
(Dollars in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating Revenues	\$41,881	\$40,582	\$39,241
Operating Expenses	<u>(35,357)</u>	<u>(35,135)</u>	<u>(31,287)</u>
Income from operations	6,524	5,447	7,954
Nonoperating Revenues	531	1,155	1,124
Nonoperating Expenses	<u>(2,537)</u>	<u>(2,471)</u>	<u>(3,116)</u>
Increase in Net Position	4,518	4,131	5,962
Net Position, Beginning of year	<u>69,060</u>	<u>64,929</u>	<u>58,967</u>
Restatement	(1,764)	-	-
Net Position, Beginning of year , as restated	67,296	64,929	58,967
Net Position, End of year	<u>\$71,814</u>	<u>\$69,060</u>	<u>\$64,929</u>

***HOUSING AND DINING SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2015 and 2014

Total operating revenue increased for fiscal 2015 primarily influenced by an increase to the room and board rate.



The System's largest revenue source is room rent and food services totaling \$35,455,523 or 84.7% of the System's operating revenue compared to \$34,550,060 (85.1%) in fiscal 2014.

Room rent and food service revenues increased \$905,463 (2.6%) in fiscal 2015 over 2014 due to a 4.0% rate increase coupled with a slight decrease of -1.4% in residence hall occupancy. Room and food service revenues increased \$1,200,457 (3.6%) in fiscal 2014 over fiscal 2013 due to a 3.0% rate increase and increased occupancy

Student building fee revenue increased \$13,517 (0.8%) in fiscal 2015 and \$12,787 (0.8%) in fiscal 2014 due to slight changes in enrollment. There was no change in the \$39 per quarter mandatory student building fee for fiscal 2015 or fiscal 2014.

HOUSING AND DINING SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

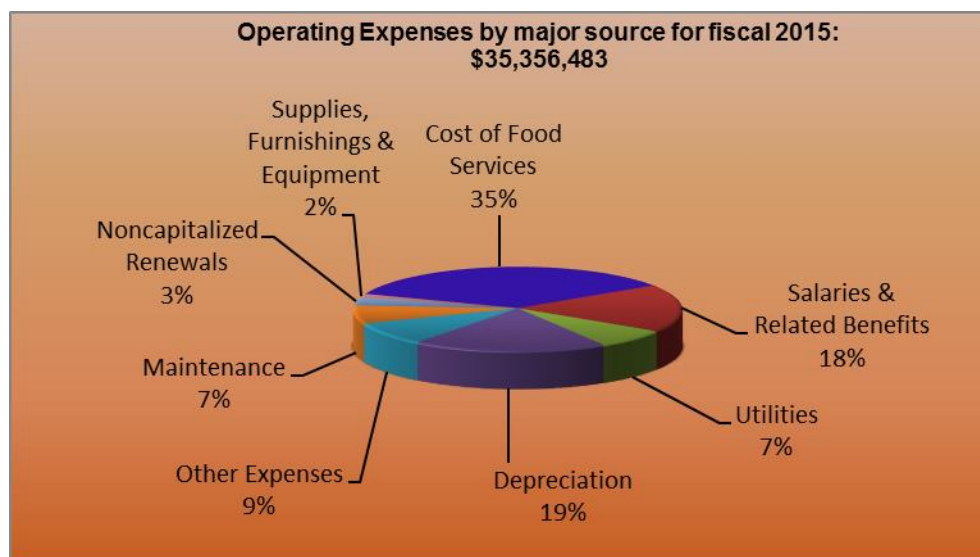
June 30, 2015 and 2014

Conference revenue increased \$43,663 (8.0%) in fiscal 2015 due to a rate increase and increased bookings. Conference revenue decreased \$17,017 (-3.0%) in fiscal 2014 due to reduced bookings.

Viking Union revenue increased \$6,528 (1.8%) in fiscal 2015 primarily due to increased facility and services use. Viking Union revenue increased \$198,960 (124.0%) in fiscal 2014 primarily due to the one-time transfer of the recycle center financial operations to the Viking Union.

Commission revenue increased \$146,976 (7.4%) in fiscal 2015 and \$95,802 (5%) in fiscal 2014 primarily due to increased dining commissions received from the Dining Services contractor (See Note 6).

Fees, penalties, and other income increased \$166,381 (125.1%) in fiscal 2015 primarily influenced by the recurring annual departmental transfer that was recorded as a reduction to revenue in fiscal 2014. Fees penalties, and other income in fiscal 2014 decreased \$147,648 (-52.6%) primarily due to a decrease in other income from the recording of the recurring annual departmental transfer.

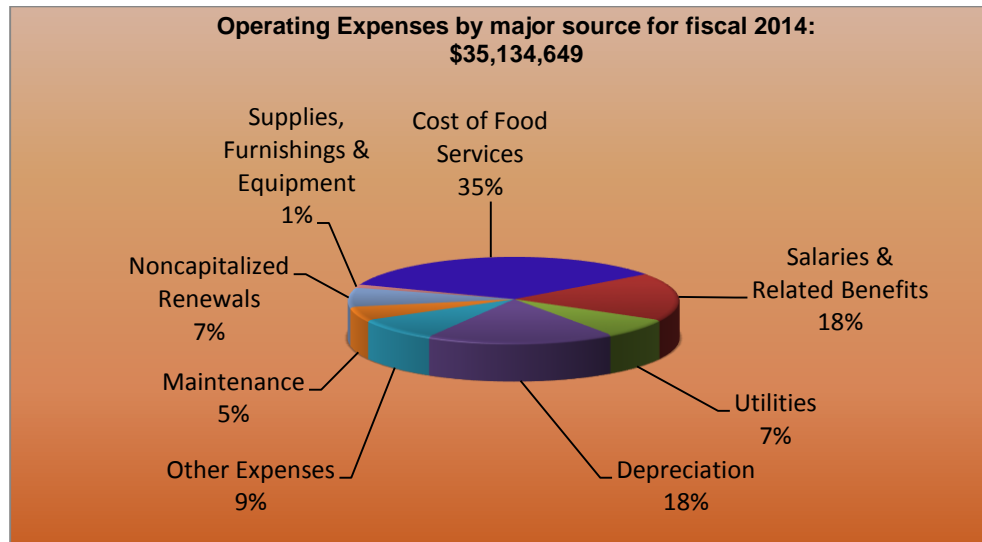


Overall operating expenses for fiscal 2015 increased \$221,833 (0.6%) over fiscal 2014, due to an increase in depreciation and slight increases in food services, salaries, and repairs and maintenance. Overall operating expenses for fiscal 2014 increased \$3,847,742 (12.3%) primarily due to increases in depreciation, non-capitalized renewals, and cost of food services.

Cost of food services for fiscal 2105 increased \$360,103 (3.0%) over fiscal 2014 due to a rate increase. Cost of food services increased \$640,961 (5.6%) in fiscal 2014 primarily due to the combination of a rate increase and increased voluntary meal plan purchases.

***HOUSING AND DINING SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2015 and 2014



Salaries and benefits expense for fiscal 2015 increased \$142,671 (2.3%) due to the combination of classified staff wage increases, filling of vacant positions and a decrease to the employer's share of health care costs. Salaries and benefits increased \$347,910 (5.8%) in fiscal 2014 as position vacancies were filled and State wage increases occurred.

Utilities expense for fiscal 2015 increased \$28,919 (1.1%) with the net increase due primarily to water/sewer increases. Utilities expense increased \$126,297 (5.3%) in fiscal 2014 primarily due to increases in water and natural gas.

Repairs and maintenance expense for fiscal 2015 increased \$626,483 (34.8%) as more expenses met this classification rather than being categorized as Non-capitalized renewals and replacements. There was also a 4.0% increase in the Facilities Management recharge rate. Repairs and maintenance expense decreased \$121,988 (-6.4%) in fiscal 2014 as certain larger repairs were classified as non-capitalized renewals and replacements. There were no major unanticipated incidents in fiscal 2015.

Depreciation expense for fiscal 2015 increased \$309,497 (4.8%) and \$1,710,045 (36.2%) for fiscal 2014 due to the addition of completed renovations.

WWU's administrative services assessment fee (included in institutional services) increased \$194,895 (14.5%) in fiscal 2015 and \$163,246 (13.8%) in fiscal 2014 due to rate increases. The rate charged against the System revenues (less food service contract) was 5.5% in fiscal 2015 and 5.0% in fiscal 2014.

Other expenses increased \$202,451 (32.3%) in fiscal 2015 primarily influenced by the recurring annual departmental transfer that was recorded as an expense in fiscal 2015 and a reduction to revenue in fiscal 2014. Other expenses decreased \$299,768 (-32.4%) in fiscal 2014 primarily influenced by decreases in Other Goods & Services.

Non-operating expenses (interest & amortization) for fiscal 2015 increased \$65,904 (2.7%) due to increased bond cost amortization relating to the issuance of revenue and refunding (See Note 4). Non-operating expenses (interest & amortization) for fiscal 2014 increased \$644,410 (20.7%) primarily due to reduced bond cost amortization.

HOUSING AND DINING SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015 and 2014

Non-Operating revenue for fiscal 2015 decreased \$623,602 (-54.0%) due to a reduction in other capital contributions (See Note 6). Non-Operating revenue for fiscal 2014 increased \$30,937 (2.8%) due to a slight increase in the capital contribution.

Economic Factors and Significant Events

WWU's Fall quarter of fiscal 2015 enrollment headcount of 14,260 represents a 0.55% increase over Fall quarter of fiscal 2014 enrollment. The average annual fiscal 2015 enrollment was slightly higher (0.77%) than fiscal 2014. Management will address housing demand independent of enrollment through room capacity practices, such as adding or reducing the number beds in a room for example.

The System's auxiliary capital plan for University Residences, shared with WWU's Board of Trustees in December 2014, identifies major projects including the final phases of the fire sprinkler installations and major upgrades for residential structures and living spaces. A significant facilities condition assessment is in process, the results of which will be incorporated into the capital plan. System leadership is reviewing options for the renovation or replacement of the Edens North facility and for the addition of on-campus student apartment housing.

The Board of Trustees approved a set of housing and dining principles in 1993 (updated in 2010) to guide the System's financial planning. The six principles address (i) Revenue Fund levels, (ii) Renewal and Replacement Fund levels, (iii) Major maintenance expenditures, (iv) Capital planning efforts, (v) Debt Service Coverage Ratio, and (vi) Occupancy. The System exceeded the minimum requirements established within these principles. The Board periodically reviews the principles to ensure ongoing compliance.

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Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Trustees
Western Washington University Housing and Dining System
Bellingham, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Western Washington University Housing and Dining System (Housing and Dining), Whatcom County, Washington, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Housing and Dining's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing and Dining's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing and Dining's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Washington University Housing and Dining System, as of June 30, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of the Western Washington University Housing and Dining System, a department of the University, are intended to present the financial position, and the changes in financial position, and cash flows of only the respective portion of the activities of the University that is attributable to the transactions of Housing and Dining. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2015 and 2014, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, in 2015, Housing and Dining adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules of Housing and Dining system's proportionate share of the net pension liability and schedules of contributions pension trust fund information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing and Dining's basic financial statements as a whole. The Other Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015 on our consideration of the Housing and Dining's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing and Dining's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Jan M. Jutte". The signature is written in a cursive style with a large initial "J" and "M".

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

November 16, 2015

***HOUSING AND DINING SYSTEM
STATEMENT OF NET POSITION***

June 30, 2015 and 2014

Assets	2015	2014
Current assets		
Cash and cash equivalents (Note 2)	\$6,666,354	\$6,223,145
Investments (Note 2)	3,806,049	2,161,956
Accounts receivable, net of allowance of \$99,428 and \$87,490 in 2015 and 2014, respectively	201,760	134,034
Interest receivable	57,853	31,734
Other receivables	849,650	773,119
Inventory	2,236	1,804
Total current assets	<u>11,583,902</u>	<u>9,325,792</u>
Noncurrent assets		
Restricted investments (Note 2)	3,048,225	3,050,772
Investments (Note 2)	7,456,128	6,681,725
Depreciable capital assets, net (Note 3)	92,778,304	98,448,386
Nondepreciable capital assets, net (Note 3)	7,474,735	1,913,902
Other assets (Note 1)	1,846	3,837
Total noncurrent assets	<u>110,759,238</u>	<u>110,098,622</u>
Total assets	<u>122,343,140</u>	<u>119,424,414</u>
 Deferred Outflows		
Deferred loss on bond refunding	995,306	1,173,492
Related to pension	155,269	-
Total deferred outflows	<u>1,150,575</u>	<u>1,173,492</u>
 Liabilities		
Current liabilities		
Accounts payable	2,288,606	1,103,047
Accrued expenses	635,365	614,144
Residents' housing deposits	1,269,931	1,280,705
Unearned revenues	280,653	323,496
Bonds interest payable	569,239	530,111
Current portion of bonds payable (Note 4)	3,010,000	3,035,000
Total current liabilities	<u>8,053,794</u>	<u>6,886,503</u>
Noncurrent liabilities		
Bonds payable, less current portion (Note 4)	41,599,662	44,651,044
Net pension liability	1,508,789	-
Total noncurrent liabilities	<u>43,108,451</u>	<u>44,651,044</u>
Total liabilities	<u>51,162,245</u>	<u>51,537,547</u>
 Deferred Inflows		
Related to pension	517,193	-
Total deferred inflows	<u>517,193</u>	<u>-</u>
 Net Position		
Net investment in capital assets	56,638,683	53,849,736
Restricted, expendable	3,313,637	3,289,241
Unrestricted	11,861,957	11,921,382
Total net position	<u>\$71,814,277</u>	<u>\$69,060,359</u>

HOUSING AND DINING SYSTEM**STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION***June 30, 2015 and 2014*

	2015	2014
Operating Revenues		
Room rent and food services	\$35,455,523	\$34,550,060
Service and activity fees	1,285,318	1,273,981
Student building fees	1,620,654	1,607,137
Conferences	586,883	543,220
Viking Union income	365,937	359,409
Rent	121,732	117,082
Commissions	2,145,538	1,998,562
Fees, penalties, and other income	299,390	133,009
Total operating revenue	<u>41,880,975</u>	<u>40,582,460</u>
Operating Expenses		
Cost of food services	12,464,544	12,104,441
Salaries and related benefits	6,469,319	6,326,648
Utilities	2,550,964	2,522,045
Repairs and maintenance	2,425,126	1,798,643
Communications	229,537	254,286
Insurance	315,645	552,192
Supplies	274,654	259,501
Furniture and equipment	211,212	180,338
Institutional services	1,719,902	1,543,545
Depreciation	6,747,400	6,437,903
Noncapitalized renewals and replacements	1,119,577	2,528,955
Other	828,603	626,152
Total operating expenses	<u>35,356,483</u>	<u>35,134,649</u>
Income from operations	6,524,492	5,447,811
Nonoperating Revenues (Expenses)		
Investment income	124,909	91,973
Build America Bonds interest subsidy	295,479	293,248
Other Capital Contribution	110,865	769,634
Interest expense	(2,400,442)	(2,451,547)
Amortization of bond discounts and premiums	(136,804)	(19,795)
Total nonoperating (expenses) revenues	<u>(2,005,993)</u>	<u>(1,316,487)</u>
Increase in net assets	4,518,499	4,131,324
Net Position, Beginning of Year	<u>69,060,359</u>	<u>64,929,035</u>
Restatement (Note 1)	<u>(1,764,581)</u>	
Net Position, Beginning of Year, as restated	67,295,778	64,929,035
Net Position, End of Year	<u>\$71,814,277</u>	<u>\$69,060,359</u>

***HOUSING AND DINING SYSTEM
STATEMENT OF CASH FLOWS***

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Cash received from students and other customers	\$41,683,102	\$40,629,990
Cash paid to employees	(6,343,642)	(6,306,865)
Cash paid to suppliers	(21,850,218)	(22,267,527)
Net cash flows provided by operating activities	<u>13,489,242</u>	<u>12,055,598</u>
Cash Flows from Capital and Related Financing Activities		
Payment of long-term debt	(3,033,010)	(2,913,839)
Interest payments	(2,361,314)	(2,476,139)
Build America Bonds interest subsidy	295,479	293,248
Purchase of capital assets	(5,630,029)	(5,553,365)
Net cash flows (used in) by capital and related financing activities	<u>(10,728,874)</u>	<u>(10,650,095)</u>
Cash Flows from Investing Activities		
Investment income received	98,790	67,280
Net proceeds (loss) of restricted investments	2,547	(2,761)
Sales of investments	(2,418,496)	(926,858)
Net cash flows (used in) provided by investing activities	<u>(2,317,159)</u>	<u>(862,339)</u>
Net change in cash and cash equivalents	443,209	543,164
Cash and Cash Equivalents, Beginning of Year	<u>6,223,145</u>	<u>5,679,981</u>
Cash and Cash Equivalents, End of Year	<u>\$6,666,354</u>	<u>\$6,223,145</u>
Reconciliation of Operating Income to Net Cash Provided to Operating Activities		
Operating income	6,524,492	5,447,811
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	6,747,400	6,437,903
Net pension expense	106,132	-
Loss on disposal of fixed asset	4,569	176
Change in operating assets and liabilities		
Accounts receivable	(67,726)	56,791
Other receivables	(76,531)	(44,475)
Inventory	(432)	287
Accounts payable	285,409	102,108
Accrued salaries and benefits	19,545	19,783
Residents' housing deposits	(10,774)	(6,571)
Deferred revenue	(42,843)	41,784
Cash flows from operating activities	<u>\$13,489,241</u>	<u>\$12,055,597</u>
Supplemental Disclosure of Noncash Capital and Related Financing Activities		
Change in capital asset additions included in accounts payable	<u>\$901,826</u>	<u>\$11,788</u>

HOUSING AND DINING SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Western Washington University Housing and Dining System (the System) is a self-supporting, auxiliary enterprise of Western Washington University (WWU). The System operates residence halls and dining commons, an apartment complex, the Commissary/Warehouse, the Viking Union Complex and Lakewood Recreational Facility. These operations are located on or near WWU campus.

Financial Statement Presentation

The financial statements are presented in accordance with generally accepted accounting principles (GAAP) and follow guidance given by the Governmental Accounting Standards Board (GASB). These statements are special purpose reports reflecting the net position, results of operations, and cash flows of the System. The financial statements present only a selected portion of the activities of WWU. As such, they are not intended to and do not present either the financial position, results of operations, or changes in net position of WWU.

Basis of Accounting

The System's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Cash, Cash Equivalents, and Investments

WWU records all cash and cash equivalents at cost. Investments held by WWU are recorded at fair value. To maximize investment income, WWU combines funds from all departments into an investment pool. The System records their share of cash, cash equivalents and investments in the same relation as WWU's investment pool itself. Investment income is allocated to the System in proportion to its average balance in the investment pool.

Accounts Receivable

Receivables are primarily from students of WWU and are unsecured. The System considers all accounts past due when they remain unpaid after their due dates. An allowance based on historical collection rates is established for recognizing potential bad debts. When an account is deemed uncollectible, it is written off against the allowance.

Inventory

Inventory consists of snack and sundry items and is stated at the lower of cost (first-in, first-out method) or market.

Capital Assets

The capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. The basis of valuation for assets purchased or constructed is cost. The costs of normal maintenance and repairs that do not increase the value of the assets or materially extend asset lives are charged to operating expense in the year the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets: 40 years for buildings and building improvements, 20 to 25 years for infrastructure and other improvements, and 5 to 7 years for furniture, fixtures, and equipment.

HOUSING AND DINING SYSTEM

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Deferred Outflows of resources and Deferred Inflows of resources.

The System classifies gains on retirement of debt as deferred inflows and losses as deferred outflows of resources and amortizes such amounts as a component of interest expense over the remaining life of the old debt, or the new debt, whichever is shorter.

Change in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflow of resources.

Unearned Revenue

Summer quarter, which is the first quarter of WWU's fiscal year, begins shortly before June 30. Room and board charges related to fiscal year 2015 are recorded as unearned revenue.

Net Pension Liability

The System records pension obligations equal to the net pension liability for its defined benefit plans. The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The fiduciary net position and changes in net position of the defined benefit plans has been measured consistent with the accounting policies used by the plans. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments re discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets re available to pay benefits, and a tax-exempt, high- quality municipal bond rate when plan assets are not available. Pension expense is recognized for benefits earned during the measurement period, interest on the unfunded liability and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows and are recognized over the average expected remaining service period for employees eligible for pension benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

Restatement of Net Position

During FY 2015, the System adopted GASB Statement No. 68 "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27". Statement No. 68 requires that WWU record in its statements its proportional share of the State's net pension liability for the defined benefit pension plans that are administered by the State and to restate the beginning net position of the earliest period presented. The amount of restatement to the beginning fiscal 2015 net position was \$1,764,581 million. The amount of the net pension is \$1,508,789 million. The net pension liability information is provided to the System by the Department of Retirement Systems (DRS) and the Office of State Actuary (OSA). The information provided by DRS and OSA only allowed the System to restate fiscal 2015 beginning net position due to the measurement period of June 30, 2014 for the net pension liability.

Net Position

The System's net position is classified as follows:

- *Net Investment in Capital Assets* - Represents the System's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
- *Restricted, Expendable* - Restricted net position represent resources restricted by bond covenants for system renewals and replacements.

HOUSING AND DINING SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

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- *Unrestricted* - Unrestricted net position represent resources derived from operations and investing activities. The System has internally designated \$11,561,531 and \$9,476,125 of this balance at June 30, 2015 and 2014, respectively, for funding the acquisition of future capital assets and the renovation of current capital assets.

Classification of Revenues and Expenses

The System has classified its revenue and expenses as either operating or non-operating according to the following criteria:

Operating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as sales and services.

Operating expenses. Operating expenses are those incurred in daily operations such as salaries and wages, benefits, utilities and supplies.

Non-operating revenues. Non-operating revenues include activities that have the characteristics of non-exchange transactions such as investment income.

Non-operating expenses. Non-operating expenses include costs related to financing or investing activities such as interest on indebtedness and amortization of bond costs.

Premiums/Discounts

Bond premiums and discounts are amortized over the term of the bonds using the effective interest method. The remaining balances of bond premiums/discounts are presented in the Statement of Net Position net of the face amount of bonds payable.

Administrative Assessment

WWU provides support to the System through cash and debt management, accounting, human resources, purchasing and accounts payable services, risk management, and other support services. The effects of these transactions are included as institutional services in these financial statements. The amount paid was \$1,537,315 and \$1,342,420, which was 5.5% and 5.0% of revenues (less food service contract) for the years ending June 30, 2015 and 2014, respectively.

Tax Exemptions

WWU, and the System as an auxiliary enterprise, is a tax-exempt instrumentality of the State of Washington under the provisions of Section 115(a) of the Internal Revenue Code and are exempt from federal income taxes on related income.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

HOUSING AND DINING SYSTEM

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June 30, 2015 and 2014

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Interest Rate and Credit Risk

The System's operating cash is part of WWU's internal investment pool. The pool is invested in demand deposits, time certificates of deposit, the Washington State Local Government Investment Pool (LGIP) and U.S. Treasury and Agency securities. The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP is an unrated investment pool. Bank balances (including time certificates of deposit) are insured by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). U.S. Treasury and Agency securities are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

WWU manages its exposure to fair value losses in the internal investment pool by targeting the portfolio duration to 2.25 years and limiting the weighted average maturity to a maximum of three years. WWU generally does not invest operating funds in securities maturing more than five years from the date of purchase.

The System's restricted investments of \$3,048,225 and \$3,050,772 in fiscals 2015 and 2014 respectively are restricted for renewals and replacements and are separately invested in time certificates of deposit and U.S. Treasury and Agency securities.

		Weighted Average Maturity		Weighted Average Maturity
	June 30, 2015	(in years)	June 30, 2014	(in years)
Cash and cash equivalents	\$6,666,354	0.001	\$6,223,145	0.001
Investments				
Certificates of deposit-restricted	1,521,563	1.033	1,521,563	2.241
U.S. Agencies-restricted	1,526,662	1.614	1,529,209	0.907
Certificates of deposit	956,046	1.033	874,286	2.033
U.S. Treasury	3,161,631	2.410	724,917	1.085
U.S. Agencies	7,144,500	1.614	7,244,478	2.657
	<u>\$20,976,756</u>		<u>\$18,117,598</u>	

***HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS***

June 30, 2015 and 2014

NOTE 3. CAPITAL ASSETS, NET

The depreciation expense for the fiscal years ended June 30, 2015 and 2014 was \$6,747,400 and \$6,437,903, respectively.

Following are the changes in capital assets for the year ended June 30, 2015:

Description	June 30, 2014	Additions	Retirements	Transfers	June 30, 2015
Non-depreciable capital assets					
Construction in progress	\$1,913,902	\$5,878,522		(\$317,689)	\$7,474,735
Depreciable capital assets					
Buildings	112,122,143	777,105			112,899,248
Buildings improvements	33,917,366				33,917,366
Furniture, fixtures, and equipment	7,157,942	304,782	(17,047)		7,445,677
Infrastructure	4,492,564				4,492,564
Total cost	159,603,917	6,960,409	(17,047)	(317,689)	166,229,590
Accumulated Depreciation					
Buildings	45,554,788	3,644,870			49,199,658
Buildings improvements	8,585,154	1,885,908			10,471,062
Furniture, fixtures, and equipment	3,274,814	1,098,386	(12,478)		4,360,722
Infrastructure	1,826,873	118,236			1,945,109
Total accumulated depreciation	59,241,629	6,747,400	(12,478)	-	65,976,551
Capital assets, net	\$100,362,288	\$213,009	(\$4,569)	(\$317,689)	\$100,253,039

Following are the changes in capital assets for the year ended June 30, 2014:

Description	June 30, 2013	Additions	Retirements	Transfers	June 30, 2014
Non-depreciable capital assets					
Construction in progress	\$5,259,312	\$1,513,050		(\$4,858,460)	\$1,913,902
Depreciable capital assets					
Buildings	104,021,951	3,241,732		4,858,460	112,122,143
Buildings improvements	32,737,040	1,180,326			33,917,366
Furniture, fixtures, and equipment	6,776,429	399,679	(18,166)		7,157,942
Infrastructure	4,492,564				4,492,564
Total cost	153,287,296	6,334,787	(18,166)	-	159,603,917
Accumulated Depreciation					
Buildings	42,139,831	3,414,957			45,554,788
Buildings improvements	6,758,904	1,826,250			8,585,154
Furniture, fixtures, and equipment	2,224,225	1,068,579	(17,990)		3,274,814
Infrastructure	1,698,756	128,117			1,826,873
Total accumulated depreciation	52,821,716	6,437,903	(17,990)	-	59,241,629
Capital assets, net	\$100,465,580	(\$103,116)	(\$176)	\$-	\$100,362,288

HOUSING AND DINING SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 4. BONDS PAYABLE

In accordance with bond covenants, a Renewal and Replacement (R&R) Fund has been established to pay extraordinary operating and maintenance expenses; to make capital replacements, expansions, additions, repairs and renewals of the System; and to pay bond principal and interest to the extent other funds are not legally available. The balance of the R&R Fund must equal at least 5% of the principal balance of outstanding bonds.

Bond covenants also require that the System pledge net revenue (as defined) in each fiscal year at least equal to the greater of (i) 125% of the amounts required in such fiscal year to be paid as scheduled debt service (principal and interest) on outstanding bonds, or (ii) amounts required to be deposited during such fiscal year from net revenues into debt service and reserve funds established for outstanding bonds and into the R&R Fund, but excluding from each of the foregoing, payments made from refunding debt and capitalized debt service.

On March 4, 2015, the System issued at par \$13,435,000 Revenue and Refunding Bonds Series 2015. The purpose of the bonds is the refunding of then-outstanding Revenue Bonds Series 2005 and 2006 with a combined principal balance of \$15,935,000. The refunded series 2005 and 2006 bonds carried interest rates of 3.75% to 4.5%. Management expects the refunding will provide a net present value savings of approximately \$1,034,389 in debt service over the life of the new bonds and loss on defeasance of \$511,154. The amount required to refund the 2005 and 2006 bonds remaining plus a refunding premium and underwriter's discount (total of \$15,455,988) were sent directly to the escrow agent, US Bank, and these funds were disbursed completely by June 1, 2015.

***HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS***

June 30, 2015 and 2014

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Series 2015 Housing & Dining Refunding Bonds with interest rates ranging from 2.0% to 5.0% and principal payments due in annual amounts ranging from \$985,000 to \$1,530,000 through October 31, 2026. The Series 2015 bonds have an aggregate face value of \$13,435,000 at June 30, 2015 which is reported net of the unamortized original issues premium of \$1,857,291.	\$15,292,291	\$ -
Series 2012 Revenue and Refunding Bonds with interest rates ranging from 3.0% to 5.0% and principal payments due in annual amounts ranging from \$750,000 to \$980,000 through October 31, 2023. The Series 2012 bonds have an aggregate face value of \$7,690,000 at June 30, 2015 which is reported net of the unamortized original issues premium of \$363,976.	8,053,976	8,900,561
Series 2009 A & B Housing and Dining Revenue Bonds with interest rates ranging from 3.0% to 7.4% and principal payments due in annual amounts ranging from \$295,000 to \$1,115,000 through June 30, 2034. The Series 2009 bonds have an aggregate face value of \$12,835,000 at June 30, 2015 which is reported net of the unamortized original issue premium of \$0.	12,835,000	13,146,334
Series 2006 Housing and Dining Revenue Bonds with an interest rate of 4% and principal payments due in annual amounts ranging from \$420,000 to \$700,000 through April 1, 2026. The Series 2006 bonds have an aggregate face value of \$0 at June 30, 2015 which is reported net of the unamortized original premium of \$0.	-	6,714,114
Series 2005 Housing and Dining Revenue and Refunding Bonds with interest rates ranging from 4.0% to 4.5%, and principal payments due in annual amounts ranging from \$620,000 to \$1,005,000 through June 1, 2026. The Series 2005 bonds have an aggregate face value of \$0 at June 30, 2015, which is reported net of the unamortized original discount of \$0.	-	9,601,856
Series 1998 Housing and Dining Junior Lien Revenue Refunding Bonds, with interest rates ranging from 4.4% to 5.5%, and principal payments due in annual amounts that range from \$825,000 to \$1,270,000 through October 1, 2022. The Series 1998 bonds have an aggregate face value of \$8,355,000 at June 30, 2015, which is reported net of the unamortized original issue premium of \$73,395.	8,428,395	9,323,179
	<u>44,609,662</u>	<u>47,686,044</u>
Less current portion	<u>(3,010,000)</u>	<u>(3,035,000)</u>
	<u>\$41,599,662</u>	<u>\$44,651,044</u>

HOUSING AND DINING SYSTEM**NOTES TO THE FINANCIAL STATEMENTS****June 30, 2015 and 2014**

Following are the changes in long-term liabilities for the year ended June 30, 2015:

Bonds Payable	June 30, 2014	Additions	Reductions	June 30, 2015	Current Portion
Series 2015 Refunding Bonds	\$ -	\$13,435,000	\$ -	\$13,435,000	\$985,000
Series 2012 Refunding Bonds	8,455,000	-	(765,000)	7,690,000	785,000
Series 2009 Revenue Bonds	13,145,000	-	(310,000)	12,835,000	320,000
Series 2006 Revenue Bonds	6,690,000	-	(6,690,000)	-	-
Series 2005 Refunding Bonds	9,685,000	-	(9,685,000)	-	-
Series 1998 Junior Lien Revenue Refunding	9,230,000	-	(875,000)	8,355,000	920,000
	47,205,000	13,435,000	(18,325,000)	42,315,000	3,010,000
Plus unamortized premium	564,188	1,932,994	(202,520)	2,294,662	
Less unamortized discount	(83,144)	-	83,144	-	
Total Long-term liabilities	\$47,686,044	\$15,367,994	(\$18,444,376)	\$44,609,662	\$3,010,000

Following are the changes in long-term liabilities for the year ended June 30, 2014:

Bonds Payable	June 30, 2013	Additions	Reductions	June 30, 2014	Current Portion
Series 2012 Refunding Bonds	\$9,205,000	\$ -	(\$750,000)	\$8,455,000	\$765,000
Series 2009 Revenue Bonds	13,440,000	-	(295,000)	13,145,000	310,000
Series 2006 Revenue Bonds	7,110,000	-	(420,000)	6,690,000	440,000
Series 2005 Refunding Bonds	10,305,000	-	(620,000)	9,685,000	645,000
Series 1998 Junior Lien Revenue Refunding	10,055,000	-	(825,000)	9,230,000	875,000
	50,115,000	-	(2,910,000)	47,205,000	3,035,000
Plus unamortized premium	680,831	-	(116,643)	564,188	
Less unamortized discount	(95,502)	-	12,358	(83,144)	
Total Long-term liabilities	\$50,700,329	-	(\$3,014,285)	\$47,686,044	\$3,035,000

Total interest incurred on bonds payable for the years ended June 30, 2015 and June 30, 2014 was \$2,400,442 and \$2,451,547, respectively.

The principal and interest maturities of bonds payable for years ending June 30 are as follows:

***HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS***

June 30, 2015 and 2014

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$3,010,000	\$2,198,122	\$5,208,122
2017	3,170,000	2,042,160	5,212,160
2018	3,285,000	1,921,943	5,206,943
2019	3,390,000	1,797,112	5,187,112
2020	3,530,000	1,656,290	5,186,290
2021-2025	16,040,000	5,621,766	21,661,766
2026-2030	5,735,000	2,546,220	8,281,220
2031-2034	4,155,000	786,990	4,941,990
	<u>42,315,000</u>	<u>\$18,570,603</u>	<u>\$60,885,603</u>
Less unamortized (discounts)/premiums & loss on defeasance	<u>2,294,662</u>		
	<u>\$44,609,662</u>		

NOTE 5. COMMITMENTS

The System regularly enters into contracts and purchase orders that commit fund balances for future purchases of goods and services. At June 30, 2015 and 2014, these commitments totaled \$5,570,055 and \$5,570,055 respectively, for all funds.

NOTE 6. CONTRACT WITH ARAMARK

In fiscal 2012 Aramark contracted with WWU to manage the dining services provided by the System. As part of this contract, Aramark agreed to provide a contribution totaling \$7,314,000 to the System as a financial commitment for the acquisition of capital and non-capital assets. \$110,865 and \$769,634 of that amount was used in fiscals 2015 and 2014 respectively.

NOTE 7. PENSION PLANS

A. SUMMARY

WWU offers five defined benefit pension plans and three defined benefit/defined contribution plans: the Washington State Public Employees' Retirement System (PERS) plans 1-3, the Washington State Teachers Retirement System (TRS) plans 1-3, the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) plan 1 and the Western Washington University Retirement Plan (WWURP).

As employees of WWU, the full-time System employees are participants in WWURP and PERS. The System contributes to PERS cost sharing multiple-employer defined benefit pension plans administered by the State of Washington Retirement System. Refer to sections B and C of this note for descriptions of the plans. The System contributed approximately \$235,373, \$226,642 and \$190,774 to these plans in fiscal 2015, 2014 and 2013 respectively. An actuarial valuation of the PERS plan for the System as an entity is not available.

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NOTES TO THE FINANCIAL STATEMENTS

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The System implemented Statement No. 68 of the Governmental Accounting Standards Board (GASB) *Accounting and Financial Reporting for Pensions* for the fiscal year 2015 financial reporting. The System's defined benefit pension plans were created by statutes rather than through trust documents. With the exception of the supplemental defined benefit component of the higher education retirement plan, they are administered in a way equivalent to pension trust arrangements as defined by the GASB.

In accordance with Statement No. 68, the System has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities.

The state Legislature establishes and amends laws pertaining to the creation and administration of all state public retirement systems. Additionally the state Legislature authorizes state agency participation in plans other than those administered by the state.

Basis of Accounting

Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all plans and additions to/deductions from all plan fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for the System, for fiscal year 2014:

Aggregate Pension Amounts - PERS 1, 2 & 3	
Pension liabilities	\$ (1,508,789)
Pension assets	-
Deferred outflows of resources related to pensions	155,269
Deferred inflows of resources related to pensions	(517,193)
Pension expense/expenditures	106,132

Investments

The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB-adopted investment policies for the various asset classes in which the WSIB invests.

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NOTES TO THE FINANCIAL STATEMENTS

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Department of Retirement Systems. As established in chapter 41.50 of the Revised Code of Washington (RCW), the Department of Retirement Systems (DRS) administers eight retirement systems covering eligible employees of the state and local governments. The Governor appoints the director of the DRS.

The DRS administered systems that the System offers its employees are comprised of two defined benefit pension plans and one defined benefit/defined contribution plan. Below are the DRS plans that the System offers its employees:

- Public Employees' Retirement System (PERS)
 - Plan 1 – defined benefit
 - Plan 2 - defined benefit
 - Plan 3 - defined benefit/defined contribution

Although some assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan in accordance with the terms of the plan.

Administration of the PERS plans is funded by an employer rate of 0.18 percent of employee salaries.

The DRS prepares a stand-alone financial report that is compliant with the requirements of Statement 67 of the Governmental Accounting Standards Board. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or online at <http://www.drs.wa.gov/administration/annual-report/>.

Higher Education. As established in chapter 28B.10 RCW, eligible higher education state employees may participate in higher education retirement plans. These plans include a defined contribution plan administered by a third party with a supplemental defined benefit component (on a pay as you go basis) which is administered by the state.

B. DEFINED CONTRIBUTION PLANS

Western Washington University Retirement Plan (WWURP)

Plan Description

The WWURP is a defined contribution single employer pension plan with a supplemental payment, when required. The plan covers faculty, professional staff, and certain other employees. It is administered by WWU. WWU's Board of Trustees is authorized to establish and amend benefit provisions. Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have at all times a 100% vested interest in their accumulations.

Funding Policy

Employee contribution rates, which are based on age, range from 5% to 10% of salary. WWU matches the employee contributions. All required employer and employee contributions have been made.

Supplemental Component

The supplemental payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. The System makes direct payments to qualified retirees when the retirement benefit provided by the fund sponsor does not meet the benefit goal. During fiscal year ending

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June 30, 2011, WWU amended the supplemental retirement plan, limiting participation to those individuals who were active participants on June 30, 2011.

Public Employees' Retirement System Plan 3

Plan Description

The Public Employees' Retirement System (PERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to section C of this note for all PERS Plan descriptions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in PERS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions adjusted by earnings and losses from investments of those contributions upon separation from PERS-covered employment.

C. STATE PARTICIPATION IN PLANS ADMINISTERED BY DRS

Public Employees' Retirement System

Plan Description. The Legislature established the Public Employees' Retirement System (PERS) in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

HOUSING AND DINING SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by either, February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to PERS Plan 3.

PERS participants joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees, have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3.

Refer to section B of this note for a description of the defined contribution component of PERS Plan 3.

Benefits Provided. PERS plans provide retirement, disability, and death benefits to eligible members.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service capped at 60 percent. The AFC is the average of the member's 24 highest consecutive service months.

PERS Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Plan 1 members may elect to receive an optional cost of living allowance (COLA) that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service. This is reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC. Plan 1 members may elect to receive an optional COLA amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. There is no cap on years of service credit and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months.

PERS Plan 2 members have the option to retire early with reduced benefits.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. There is no cap on years of service credit. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

***HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS*** ***June 30, 2015 and 2014***

PERS Plan 3 members have the option to retire early with reduced benefits.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

Contributions. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Contribution requirements are established and amended by state statute.

Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee defined benefit contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

Required contribution rates for fiscal year 2014 are presented in the table in section C.1 of this note.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2013 with the results rolled forward to the June 30, 2014 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2013 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

HOUSING AND DINING SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.50 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	0.80%
Tangible Assets	5%	4.10%
Real Estate	15%	5.30%
Global Equity	37%	6.05%
Private Equity	23%	9.05%
Total	100%	

The inflation component used to create the above table is 2.70 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the fiscal year 2014 reporting period.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/Asset

At June 30, 2014, the System reported \$1,158,409 for its proportionate share of the collective net pension liability for PERS 1 and \$351,380 for PERS 2/3. The System's proportion for PERS 1 was 0.022976 percent, an increase of 0.002 percent since the prior reporting period, and 0.0174 percent for PERS 2/3, an increase of 0.0001 percent. The proportions are based on the System's contributions to the pension plan relative to the contributions of all participating employers.

HOUSING AND DINING SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

Sensitivity of the Net Pension Liability/Asset to Changes in the Discount Rate. The following presents the net pension liability/asset of the System as an employer, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate.

PERS 1	
The System's proportionate share of Net Pension Liability (Asset)	
1% Decrease	\$ 1,426,620
Current Discount Rate	\$ 1,157,409
1% Increase	\$ 926,318

PERS 2/3	
The System's proportionate share of Net Pension Liability (Asset)	
1% Decrease	\$ 1,465,681
Current Discount Rate	\$ 351,380
1% Increase	\$ (499,739)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2014, the System recognized a PERS 1 pension expense of \$192,558, and recognized a PERS 2/3 pension expense of \$(86,426). At June 30, 2014, PERS 1 and PERS 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Housing and Dining System PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net Difference between projected and actual earnings on pension plan investments	-	144,727
Change in proportion Contributions subsequent to the measurement date	-	-
	6,987	-
Total	\$ 6,987	\$ 144,727

HOUSING AND DINING SYSTEM**NOTES TO THE FINANCIAL STATEMENTS***June 30, 2015 and 2014*

Housing and Dining System PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net Difference between projected and actual earnings on pension plan investments	-	372,466
Change in proportion	4,257	-
Contributions subsequent to the measurement date	144,025	-
Total	\$ 148,282	\$ 372,466

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30:

PERS 2/3	
2015	\$ 946
2016	\$ 946
2017	\$ 946
2018	\$ 946
2019	\$ 473
Thereafter	\$ -

***HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS***

June 30, 2015 and 2014

TABLE 1: Required Contribution Rates

The required contribution rates (expressed as a percentage of current year covered payroll) at June 30, 2014 are as follows:

Required Contribution Rates	Employer				Employee		
	Plan 1	Plan 2	Plan 3		Plan 1	Plan 2	Plan 3
PERS							
State agencies, local governmental units	9.03%	4.98%	4.98%	*	6.00%	4.92%	**
Administrative fee	0.18%	0.18%	0.18%				
PERS Plan 1 UAAL	0.00%	4.05%	4.05%				
Total	9.21%	9.21%	9.21%				

*Plan 3 defined benefit portion only.

**Variable from 5% to 15% based on rate selected by the member.

N/A indicates data not applicable.

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

WWU funds OPEB obligations at a university-wide level on a pay-as-you-go basis. Disclosure information, as required under GASB 45, does not exist at department levels, and as a result, the actuarial accrued liability (AAL) is not available for auxiliary entities. WWU is responsible for the annual payment therefore, the annual required contribution (ARC) is not recorded on the System's financial statements.

HOUSING AND DINING SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION *June 30, 2015 and 2014*

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REQUIRED SUPPLEMENTARY INFORMATION

***HOUSING AND DINING SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION***

June 30, 2015 and 2014

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Housing and Dining System’s Proportionate Share of the Net Pension Liability

Schedule of Housing and Dining System Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 1 Measurement Date ended June 30 *	
	2014
Housing & Dining System PERS 1 employers' proportion of the net pension liability	0.022976%
Housing & Dining System PERS 1 employers' proportionate share of the net pension liability	\$1,157,409
Housing & Dining System PERS 1 employers' covered-employee payroll	\$126,034
Housing & Dining System PERS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	918.33%
Plan fiduciary net position as a percentage of the total pension liability	61.19%
* As of June 30; this schedule is to be built prospectively until it contains ten years of data.	

***HOUSING AND DINING SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION***

June 30, 2015 and 2014

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Housing and Dining System’s Proportionate Share of the Net Pension Liability

Schedule of Housing and Dining System Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 2/3 Measurement Date ended June 30 *	
2014	
Housing & Dining PERS 2/3 employers' proportion of the net pension liability	0.017383%
Housing & Dining System PERS 2/3 employers' proportionate share of the net pension liability	\$351,380
Housing & Dining System PERS 2/3 employers' covered-employee payroll	\$1,489,616
Housing & Dining System PERS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.59%
Plan fiduciary net position as a percentage of the total pension liability	93.29%
<p>* As of June 30; this schedule is to be built prospectively until it contains ten years of data.</p>	

***HOUSING AND DINING SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION***

June 30, 2015 and 2014

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
Schedule of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 1 Fiscal Year Ended June 30 <i>Housing and Dining System</i>						
Fiscal Year	Contributions in relation to the			Covered-employee payroll	Contributions as a percentage of covered-employee payroll	
	Contractually Required Contributions	Contractually Required Contributions	Contribution deficiency (excess)			
2015	\$ 6,987	\$ 6,987	\$ (0)	\$ 75,861	9.21%	
2016						
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						

Notes:
These schedules will be built prospectively until they contain ten years of data.

HOUSING AND DINING SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015 and 2014

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedule of Contributions

Schedule of Contributions						
Public Employees' Retirement System (PERS) Plan 2/3						
Fiscal Year Ended June 30						
<i>Housing and Dining System</i>						
	Contributions in relation to the				Contributions as a	
Fiscal	Contractually	Contractually	Contribution	Covered-	percentage of	
Year	Required	Required	deficiency	employee	covered-	
	Contributions	Contributions	(excess)	payroll	employee payroll	
2015	\$ 142,679	\$ 144,025	\$ (1,346)	\$ 1,549,180	9.30%	
2016						
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						

Notes:
These schedules will be built prospectively until they contain ten years of data.

OTHER INFORMATION

**SCHEDULE OF ROOM AND BOARD RATES
YEAR ENDED JUNE 30, 2015**

RESIDENCE HALLS

	Meals per Quarter			
	Unlimited	125	100	75
Room and Board Academic Year Contracts				
Double room/double occupancy	\$10,042	\$9,662	\$9,290	\$8,908
Single room/single occupancy	\$11,071	\$10,691	\$10,319	\$9,937
Double room/single occupancy (super single)	\$11,664	\$11,284	\$10,912	\$10,530
Triple room/triple occupancy	\$8,787	\$8,407	\$8,035	\$7,653

APARTMENTS

	Double with	Super Single	Family Rate
	2/bedroom	1/bedroom	
Apartment only Academic Year Contracts			
Birnam Wood - 2 Bedroom Units	\$3,186	\$6,360	\$12,735

**SCHEDULE OF OCCUPANCY
Year Ended June 30, 2015**

	<u>OCCUPANCY CAPACITY</u>		<u>ACTUAL OCCUPANCY</u>	<u>ACTUAL OCCUPANCY AS A PERCENT OF</u>	
	<u>Designed (1)</u>	<u>Operating (2)</u>		<u>Designed Capacity</u>	<u>Operating Capacity</u>
Fall 2014	4,159	4,045	4,009	96.4%	99.1%
Winter 2015	4,159	4,045	3,833	92.2%	94.8%
Spring 2015	<u>4,159</u>	<u>4,045</u>	<u>3,676</u>	<u>88.4%</u>	<u>90.9%</u>
Average	4,159	4,045	3,839	92.3%	94.9%

(1) Designed capacity is the number of students for which the Housing and Dining System was originally constructed and subsequently remodeled to accommodate.

(2) Operating capacity is the number of students that can effectively be accommodated in an academic quarter based on housing policies in effect for that quarter.

SCHEDULE OF INSURANCE COVERAGE FISCAL 2015

WWU purchases buildings, contents and business interruption insurance for the Housing and Dining System through its participation in the State of Washington Master Property Insurance Program. The Housing and Dining System is responsible for 100% of its portion of the premium. Business interruption coverage is provided on earnings and rents from insured property and is included in the policy limits with a \$32,500,000 sub-limit. Other highlights of insurance coverage are as follows:

- Replacement cost coverage for all scheduled buildings for “all risk” of direct physical loss or damage, including earthquake and flood.
- The policy limit is \$100,000,000 per occurrence, with an aggregate limit of \$100,000,000 for earthquake and flood damage. There is a \$250,000 deductible per occurrence that increases to 3% of the value of damaged property subject to a \$250,000 minimum for earthquake and flood damage.
- Boiler and machinery insurance – State of Washington Program, \$50,000,000 per accident, \$5,000 deductible on insured objects and \$50,000 deductible for property damage.
- Third-party bodily injury and property damage liability insurance – State funded self-insurance liability program, \$10,000,000 per occurrence, with a commercial excess liability insurance policy above, and zero deductible.

The Housing and Dining System’s property insurance in effect at June 30, 2015 is summarized as follows:

	Insured Value
Ridgeway Residences and Commons	\$87,123,832
Fairhaven Residences and Commons	56,216,108
Buchanan Towers	41,629,420
Edens Hall and Edens Hall North	31,288,822
Viking Union, Additions and Commons	42,591,741
Birnam Wood Residences	37,692,627
Nash Hall	26,552,279
Mathes Hall	26,030,840
Higginson Hall	17,863,667
Commissary	11,231,275
Highland Hall	7,917,873
Lakewood Student Center	2,064,645
	<hr/>
Building Insured Values	388,203,129
Insured Contents	15,238,761
Total System Values	<hr/> <hr/> \$403,441,890

***HOUSING AND DINING SYSTEM
OTHER INFORMATION***

June 30, 2015 and 2014

EXPENDED FOR PLANT FACILITIES FISCAL 2015 and 2014

Expenditures by the System to maintain and improve its facilities are listed below. Some of these projects are capitalized and increase the value of the System's buildings. Others are costs to maintain the buildings and infrastructure and are expensed.

	<u>2015</u>	<u>2014</u>
Capitalized Projects		
Mathes Fire Sprinklers	\$ -	\$1,907,604
Edens & Alpha Fire Sprinklers		1,401,405
Nash Fire Sprinklers	3,119,753	928,150
Buchanan Towers Mechanical Room	459,416	-
Dining Capital Investment Projects	-	671,030
Other capitalizable	1,911	321,469
Kappa Sprinklers & Renovation	2,756,857	176,790
	<u>\$6,337,938</u>	<u>\$5,406,449</u>
Non-Capitalized Projects		
Painting	\$263,712	\$141,294
Other	262,769	457,812
Furniture & Carpet	255,133	382,593
Equipment	26,438	93,724
Bathroom & Shower renovations	99,466	119,489
Fire Safety / Safety Corrections	72,934	58,739
Door Replacements	46,808	428,716
Plumbing, heating and electrical	43,089	266,537
Roof Repair/Recoat/Replace	41,678	9,991
Viking Union Projects	7,202	78,753
ADA Upgrades	349	25,640
Asbestos abatement & flooring	-	73,899
Lighting Retrofits & Changes	-	4,340
Media Installations	-	341,407
Window repair/replacement	-	46,021
Edens Main Floor Remodel	-	-
	<u>\$1,119,577</u>	<u>\$2,528,955</u>

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WADE KING STUDENT RECREATION CENTER

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**WADE KING STUDENT RECREATION CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2015 and 2014

Overview

Western Washington University Wade King Student Recreation Center (the Recreation Center) is a state of the art open recreation fitness and wellness facility that has been created and shaped by the vision and support of Western Washington University (WWU) students. The Recreation Center was one of the nation's first recreation centers designed to meet Leadership in Energy and Environmental Design (LEED).

The following discussion and analysis provides an overview of the financial position and activities of the Recreation Center for the fiscal years ended June 30, 2015, 2014 and 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

Using the Financial Statements

The Recreation Center's financial reports include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows.

The statements are prepared in accordance with Governmental Accounting Standard Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Statement of Net Position

The Statement of Net Position presents the financial condition of the Recreation Center at the end of the fiscal year and report all assets and liabilities of the Recreation Center.

The amounts in these statements represent the assets available to continue the operations of the Recreation Center and identify the amount owed to vendors and other parties. The difference between assets, deferred outflows, liabilities and deferred inflows is net position. Net position is one indicator of the current financial condition of the Recreation Center.

Below is a condensed view of the Statements of Net Position as of June 30, 2015, 2014 and 2013:

**WADE KING STUDENT RECREATION CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets			
Current assets	\$690,260	\$780,468	\$1,988,552
Noncurrent assets	2,771,684	2,689,285	3,633,133
Capital assets, net	<u>22,941,211</u>	<u>23,580,776</u>	<u>21,662,553</u>
Total assets	26,403,155	27,050,529	27,284,238
Deferred Outflows	<u>450,643</u>	<u>467,604</u>	<u>500,022</u>
Liabilities			
Current liabilities	1,195,236	1,225,332	790,700
Noncurrent liabilities	<u>23,600,069</u>	<u>24,056,000</u>	<u>24,782,393</u>
Total liabilities	24,795,305	25,281,332	25,573,093
Deferred Inflows	<u>104,519</u>	<u>-</u>	<u>-</u>
Net Position			
Net investment in capital assets	(652,329)	(707,620)	(1,907,691)
Restricted for system renewal and replacements	2,334,830	2,139,260	1,976,548
Restricted for capital projects	-	-	712,127
Unrestricted	<u>271,473</u>	<u>805,161</u>	<u>1,430,183</u>
Total net position	<u><u>\$1,953,974</u></u>	<u><u>\$2,236,801</u></u>	<u><u>\$2,211,167</u></u>

Total current assets decreased \$90,208 (-11.6%) and \$1,208,084 (-60.8%) when comparing fiscal 2015 to fiscal 2014 and fiscal 2014 to fiscal 2013. These decreases were primarily due to funding the team rooms adjacent to Harrington Field during fiscal 2015 and the Harrington Field project during fiscal 2014 which lowered cash and cash equivalents. The receivable from the Western Washington University Foundation (the Foundation) decreased in fiscal 2015 by \$2,709 (-19.5%) and decreased \$22,711 (-62.0%) during fiscal 2014 due to the purchase of equipment out of the Wade King Foundation fund.

Total noncurrent assets, excluding capital assets net, increased \$82,399 (3.1%) during fiscal 2015 primarily due to an increase in restricted long-term investments as the Recreation Center continues to build the appropriate level of reserves. Total noncurrent assets, excluding capital assets net, decreased \$943,848 (-26.0%) during fiscal 2014 as cash and investments were used to fund the Harrington Field project.

During fiscal 2015, capital assets, net decreased \$639,565 (-2.7%) due to the addition of team rooms at Harrington Field and depreciation. Capital assets, net balance increased by \$1,918,223 (8.9%) during fiscal 2014 due to completion of the Harrington Field project.

The construction of Harrington Field, a new multipurpose artificial turf field, was completed in fiscal 2014 at a total cost of \$6.35 million (including capitalized interest), \$3.4 million of which was funded by the Recreation Center. The project has created a fully lighted and fenced artificial turf play field that is sized for regulation soccer and will serve as the new home of WWU's NCAA Division II men's and women's soccer teams. It also will be

***WADE KING STUDENT RECREATION CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2015 and 2014

an important resource for WWU's recreation programs by servicing the growing needs of the intramural and sport club system. The Recreation Center contributed significant reserve funds as well as up front savings from refinancing its bonds. During fiscal 2015, the Recreation Center contributed an additional \$260,000 from its reserves to assist in funding the addition of team rooms and storage space at Harrington Field in partnership with WWU.

Current liabilities decreased \$30,096 (-2.5%) during fiscal 2015 primarily due to reduced accounts payable and unearned revenue balances offset by an increase in the current portion of bond payable. Current liabilities increased \$434,632 (55.0%) in fiscal 2014 due to the current portion of long-term debt offset by a decrease in accounts payable for the remaining Harrington Field invoices.

Non-current liabilities decreased \$455,931 (-1.9%) in fiscal 2015 and \$726,393 (-2.9%) in fiscal 2014. The decrease in fiscal 2015 was due to the scheduled debt service principal payment of \$700,000 combined with the \$295,414 pension liability. During fiscal 2015, the Recreation Center adopted GASB Statement No. 68 Accounting and Financial Reporting for Pensions. This statement requires the Recreation Center to present its share of the net pension liability for the pension plans administered by the Department of Retirement System (See note 5). The decrease in fiscal 2014 was due to the Series 2012 bond amortization and the current portion of principal payments. No principal payments were scheduled until fiscal 2015 due to the 2012 bond refunding for debt service savings, which was committed as one of the funding sources for the Harrington Field project.

Total net position decreased \$282,827 (-12.6%) in fiscal 2015 primarily due to the restatement of \$377,546 as part of the adoption of GASB Statement No. 68 (See note 1 and 5). Total net position increased \$25,634 (1.2%) in fiscal 2014. The amount invested in capital assets, net of related debt continues to increase as the Recreation Center facility is depreciating at a faster rate than the related debt is repaid. Assets restricted for system renewals and replacements increased over the two prior fiscal years as contributions to this fund exceeded expenditures. Funds for renewal and replacement are set aside according to the capital and maintenance plan required by the debt covenants. These funds are classified as restricted on the Statement of Net Position.

Statement of Revenues, Expenses, and Changes in Net Position

The changes in total net position, as presented on the Statement of Net Position, are detailed in the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The statement presents the Recreation Center's results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as operating or non-operating.

In general, operating revenues are those received for providing goods and services to the members of the Recreation Center, primarily students. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues.

Non-operating revenues are monies received for which goods and services are not provided, such as investment income. Non-operating expenses include interest expense on outstanding debt and amortization of bond premium.

Following is a condensed version of the Statement of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30, 2015, 2014 and 2013:

***WADE KING STUDENT RECREATION CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 4,525,656	\$ 4,321,348	\$ 4,327,749
Operating expenses	<u>(3,520,079)</u>	<u>(3,376,104)</u>	<u>(3,244,359)</u>
Income from operations	1,005,577	945,244	1,083,390
Nonoperating revenues	17,885	11,765	1,022,451
Nonoperating expenses	<u>(928,743)</u>	<u>(931,375)</u>	<u>(1,020,109)</u>
Increase in net assets	<u>94,719</u>	<u>25,634</u>	<u>1,085,732</u>
Net position, beginning of year	2,236,801	2,211,167	2,134,238
Restatement	<u>(377,546)</u>		<u>(1,008,803)</u>
Net position, beginning of year restated	<u>1,859,255</u>	<u>2,211,167</u>	<u>1,125,435</u>
Net position, end of year	<u>\$ 1,953,974</u>	<u>\$ 2,236,801</u>	<u>\$ 2,211,167</u>

Revenues

The Recreation Center's largest source of revenue is a \$99 per quarter mandatory service and activity fee entitled the "Student Recreation Fee" for use of the facility for those students taking six or more credits on WWU's main campus. During fiscal 2015, the academic yearly average (AYA) of students taking 6 or more credits increased to 13,543 from 13,262. During fiscal 2014, AYA increased by 106 students. Other students, faculty, staff and alumni may pay a membership fee on a voluntary basis to gain access to the facility. The AYA does not include summer term. The fiscal 2015 mandatory fee increased by \$4 per quarter from fiscal 2014. The fee remained \$95 per quarter between fiscal 2013 and fiscal 2014.

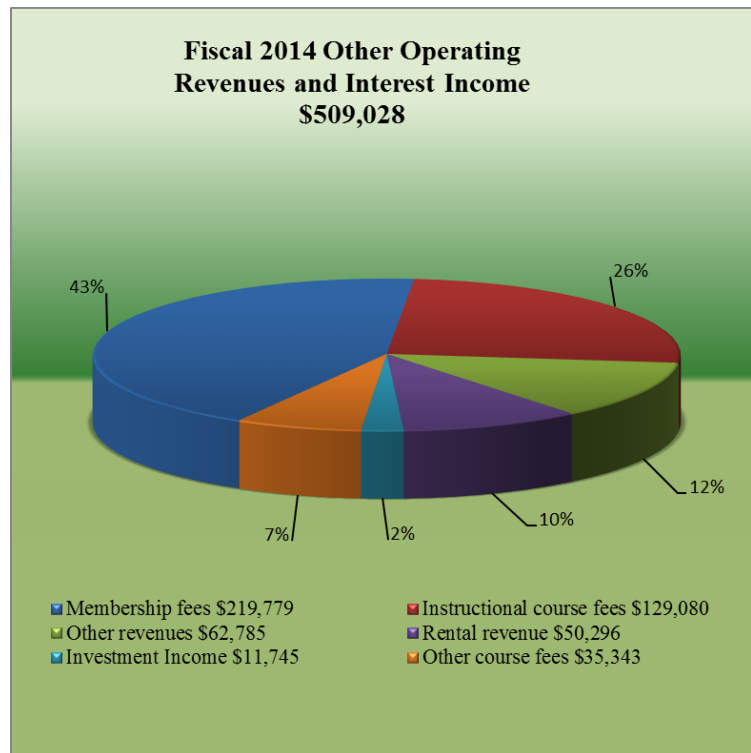
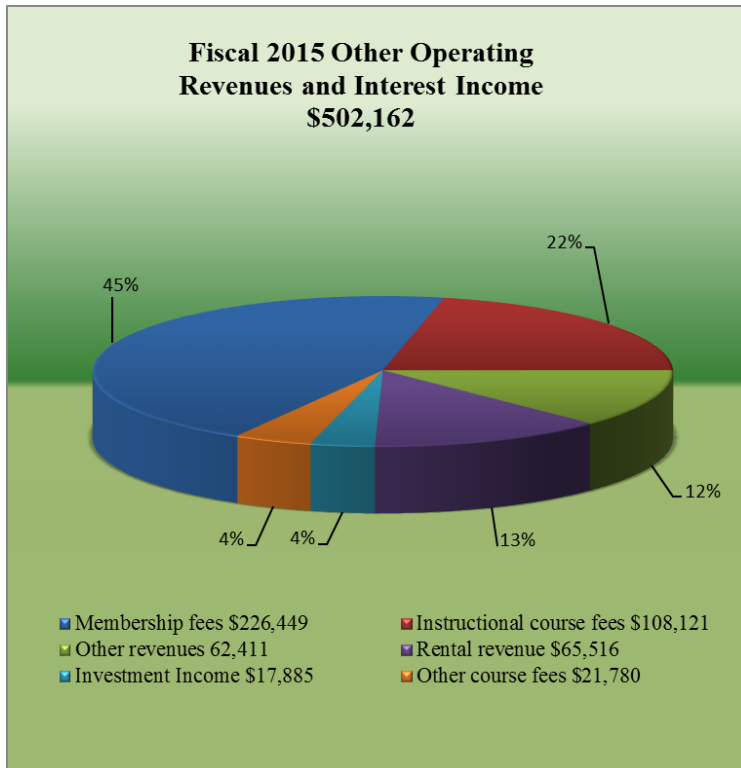
The increase in membership fees to \$226,449 in fiscal 2015 from \$219,779 in fiscal 2014 is primarily due to the voluntary membership fee increases which are based on the mandatory fee increase. Membership fees decreased to \$219,779 in fiscal 2014 from \$253,487 in fiscal 2013 primarily due to the fewer sponsored and faculty/staff memberships. This was attributed to a new Bellingham fitness facilities providing the community with additional options. For the second consecutive year instructional course fees decreased as there were fewer classes and personal training sales. These course fees decreased \$20,959 during fiscal 2015 and \$11,571 from fiscal 2014 to fiscal 2013.

Rental revenue for fiscal 2015 increased by \$15,220 primarily due to new marketing changes that promoted more usage of the facility by outside groups, specifically additional graduation night rentals. Conversely, rental revenue decreased by \$12,221 between fiscal 2014 and fiscal 2013 due to a loss of two high school graduation parties.

Other course fees decreased significantly because of the absence of our largest summer sport camp, rugby. The lack of a rugby camp decreased other course revenue by \$13,563 between fiscal 2015 and fiscal 2014. Other course fee revenue increased by \$24,412 between fiscal 2013 and fiscal 2014 due to the addition of our first summer rugby sport camp.

**WADE KING STUDENT RECREATION CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2015 and 2014



***WADE KING STUDENT RECREATION CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2015 and 2014

Expenses

The largest category of expenses for the Recreation Center is student and staff salaries and benefits, with depreciation being the second largest expense. Salaries and benefits comprised 44.5% of the total operating expenses in fiscal 2015 compared to 45.1% and 46.8% in fiscal 2014 and fiscal 2013, respectively. The increase of \$45,247 in salaries and benefits in fiscal 2015 was due to increased student employment opportunities to assist with paraprofessional duties as well as a salary adjustment for the department's Director. The previous fiscal year saw a moderate increase of \$3,384 in salaries and benefits from fiscal 2013 to fiscal 2014. This increase was due to additional student employee opportunities.

Total utility expense for fiscal 2015 was \$281,628, a decrease of \$1,477. This small decrease in utility expense was a net result of a decrease in water and sewer expense and an increase in refuse and disposal fees. Total utility expense for fiscal 2014 was \$283,105, an increase of \$944 from fiscal 2013 due to higher usage of water and sewer combined with a decrease in refuse and disposal.

Repairs and maintenance decreased in fiscal 2015 by \$33,536 from fiscal 2014. This is attributed to less facility maintenance and repair projects. In fiscal 2014 repairs and maintenance expenses increased by \$52,151 over fiscal 2013 due to additional facility projects, such as aerobic room floor refinishing.

The Recreation Center has an equipment replacement plan that budgets \$100,000 per year in equipment replacement and refurbishment. The Recreation Center spent \$51,929 in fiscal 2015 to maintain its equipment needs. This was a decrease of \$14,565 from \$66,494 in fiscal 2014, which in turn was a decrease of \$48,979 from \$115,473 in fiscal 2013.

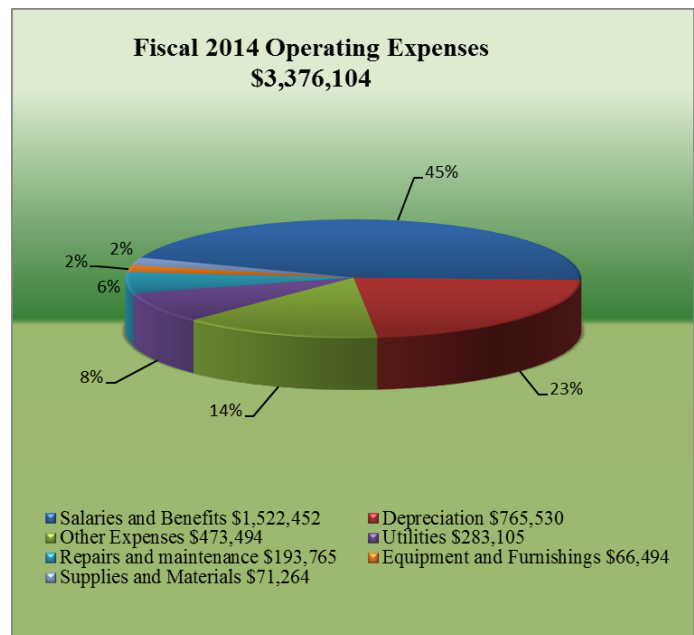
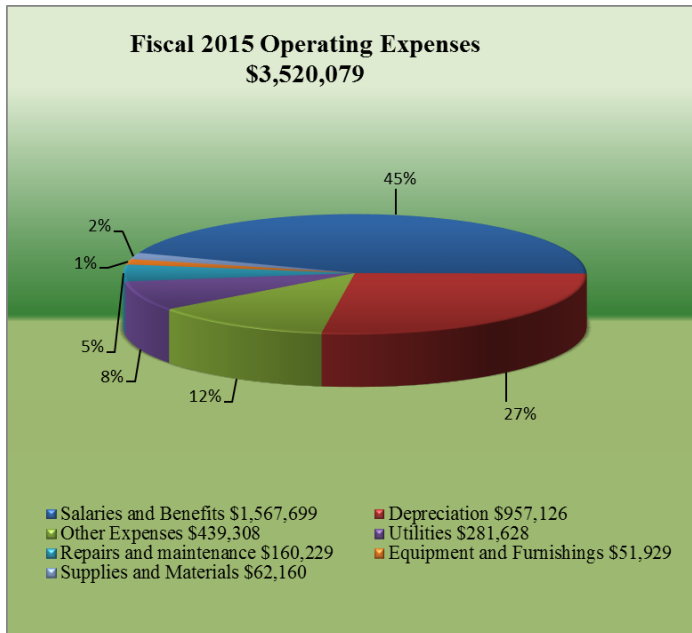
Supplies and materials expenses was decreased by \$9,105 in fiscal 2015. This decrease is attributed to sufficient supplies and materials held over from the previous year. This same category decreased slightly by \$1,047 to \$71,264 in fiscal 2014 from \$72,311 in fiscal 2013.

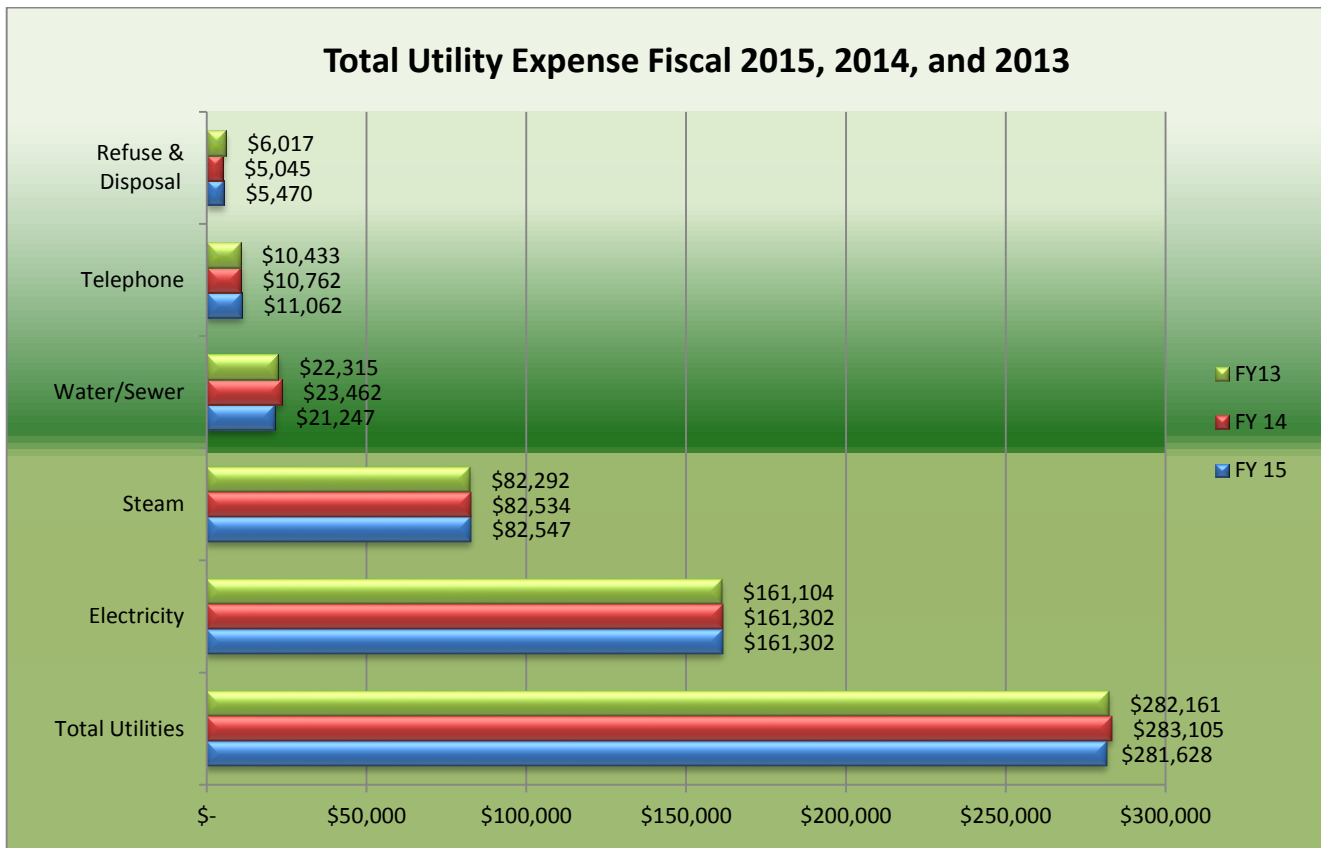
WWU's administrative services assessment fee (ASA) increased to 5.5% of revenues in fiscal 2015 from 5.0% in fiscal 2014. This expense was \$245,677 in fiscal 2015, a \$32,228 increase from \$213,449 in fiscal 2014. During fiscal 2014, the ASA was increased from 4.5% to 5.0% resulting in an increase of \$20,028.

Depreciation expense increased to \$957,127 in fiscal 2015 from \$765,530 in fiscal 2014 due to the addition of the Recreation Center's portion of the Harrington Field which had its first full year of service. Depreciation expense increased \$33,514 during fiscal 2014 as the Harrington Field project was placed into service towards the end of last fiscal year in May 2014.

**WADE KING STUDENT RECREATION CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2015 and 2014





Reserve Funds

Bond Covenants require an annual addition to the renewal and replacement (R&R) reserve based on management’s assessment of the funding level necessary to maintain the facility over the long term. The initial five-year requirement was for fund transfers of \$100,000 in 2004, \$150,000 in each of 2005 and 2006, and \$200,000 in 2007 and 2008. All of the transfers were made as planned including an additional \$190,000 (unrestricted) amount in fiscal 2004 as a result of bond defeasance. Management reaffirmed the Facilities Management lifecycle maintenance plan for major maintenance and building repair and increased the annual contribution to \$250,000 beginning in fiscal 2009 to meet anticipated building maintenance and repairs expenses. As planned, \$250,000 was placed into the R&R reserve for fiscals 2015, 2014, and 2013. Various maintenance projects over the course of fiscal 2015 reduced the reserve amount by \$63,996. At June 30, 2015, the R&R balance was \$2,568,805. The funds must be used to improve or maintain the Recreation Center facility.

Management established an Operating Reserve in fiscal 2005 for unforeseen or extraordinary expenses. The reserve acts as an emergency fund for unplanned repairs, insurance deductibles, and as an operating cushion to cover unforeseen decreases in revenue. Reserve funds can also be designated for facility improvements beyond basic maintenance or for the purchase of new equipment. In fiscal 2015, \$7,081 was spent on non-capital equipment compared to \$11,701 in fiscal 2014. The Recreation Center transferred \$260,000 to the *Team Rooms* project expansion of the Harrington Field (formerly known as the Multipurpose Field) in fiscal 2015 as well as \$600,000 to the original Harrington Field project in fiscal 2013. Contributions to this reserve in the past three years include \$100,000 in fiscal 2015 and \$0 in fiscal 2014 and fiscal 2013. At June 30, 2015 the Operating Reserve balance was \$526,214.

***WADE KING STUDENT RECREATION CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2015 and 2014

The King family made an annual donation of \$50,000 over the first seven years of their gift commitment, totaling \$350,000. Their annual contribution to the Recreation Center was restructured in fiscal 2011 as an estate gift. This Foundation reserve fund is dedicated to maintaining the quality of the facility and its programs, and supports students directly as well. During fiscal 2015, \$2,709 was spent on non-capital equipment to improve the weight and fitness areas. While \$22,711 was spent on similar equipment to improve the weight and fitness areas in fiscal 2014, no money was spent out of this fund in fiscal 2013. Portions of the donations have been used in the past for youth programming scholarships and certain equipment upgrades. The available balance maintained by the Foundation at June 30, 2015 was \$11,203. These assets are reported as unrestricted on the Statement of Net Position.

Ratio Analysis

Ratios can be helpful in evaluating the Recreation Center's financial health and performance. The debt service coverage ratios for fiscal 2015, 2014, and 2013 were 2.80, 4.67, and 4.68 respectively. The higher ratios in fiscal 2014 and fiscal 2013 were due to the intentional structuring of bond debt payments to include interest only in support of funding the Harrington Field. This ratio is calculated by dividing total operating revenues and investment income by the actual annual debt service paid during the fiscal year on the outstanding revenue bonds. The debt services amounts for fiscal years 2015, 2014 and 2013 were \$1,625,350, \$925,350, and \$927,920 respectively. Bond covenants require a debt service ratio of 1.25.

Utilization Rates

Student utilization rates increased with 13,016 (96.1%) of the estimated 13,543 AYA enrolled students using the facility during the course of fiscal 2015. This utilization rate was higher than the 12,135 (91.5%) of the estimated 13,262 AYA enrolled students who utilized the recreation center in fiscal 2014 but lower than the 13,045 (99.2%) of the 13,470 AYA who utilized the recreation center in fiscal 2013. AYA does not include summer term. Utilization information is recorded in the Recreation Center's system when students present their membership cards upon entry to the facility. Visits by members and non-members totaled 414,199 during fiscal 2015, compared with 436,933 during fiscal 2014 and 422,709 in fiscal 2013. The highest number of visits in a given day exceeded 3,000 in fiscal 2015. This is a slight drop from 3,200 which was the highest number of visits in a given day in fiscal 2014 and 3,100 visits recorded in fiscal 2013.



Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Trustees
Western Washington University Wade King Student Recreation Center
Bellingham, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Western Washington University Wade King Student Recreation Center (the Recreation Center), Whatcom County, Washington, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Recreation Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Recreation Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Recreation Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Washington University Wade King Student Recreation Center, as of June 30, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of the Western Washington University Wade King Student Recreation Center, a department of the University, are intended to present the financial position, and the changes in financial position, and cash flows of only the respective portion of the activities of the University that is attributable to the transactions of the Recreation Center. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2015 and 2014, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, in 2015, the Recreation Center adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules of Recreation Center's proportionate share of the net pension liability and schedules of contributions pension trust fund information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015 on our consideration of the Recreation Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Recreation Center's internal control over financial reporting and compliance.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

November 16, 2015

WADE KING STUDENT RECREATION CENTER
STATEMENT OF NET POSITION

June 30, 2015 and 2014

Assets	2015	2014
Current assets		
Cash and cash equivalents (Note 2)	\$390,833	\$512,499
Investments (Note 2)	222,997	177,968
Accounts receivable, net of allowance of \$10,285 in 2015 and \$10,104 in 2014	62,059	71,447
Receivable from Western Washington University Foundation, net	11,203	13,912
Inventory	3,168	4,642
Total current assets	<u>690,260</u>	<u>780,468</u>
Noncurrent assets		
Investments (Note 2)	436,855	550,025
Restricted cash and cash equivalents (Note 2)	868,090	883,514
Restricted investments (Note 2)	1,466,739	1,255,746
Capital assets, net (Note 3)	22,941,211	23,580,776
Total noncurrent assets	<u>25,712,895</u>	<u>26,270,061</u>
Total assets	<u>26,403,155</u>	<u>27,050,529</u>
Deferred Outflows		
Relating to pensions	14,528	
Deferred loss on bond refunding (Note 5)	436,115	467,604
	<u>450,643</u>	<u>467,604</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	4,454	46,392
Accrued wages and benefits	173,147	154,395
Unearned revenue	140,160	170,320
Interest payable	152,475	154,225
Current portion of bonds payable (Note 4)	725,000	700,000
Total current liabilities	<u>1,195,236</u>	<u>1,225,332</u>
Noncurrent liabilities		
Net pension liability (Note 5)	295,414	
Bonds payable, less current portion (Note 4)	23,304,655	24,056,000
Total noncurrent liabilities	<u>23,600,069</u>	<u>24,056,000</u>
Total liabilities	<u>24,795,305</u>	<u>25,281,332</u>
Deferred Inflows		
Relating to pensions (Note 5)	104,519	-
Total deferred inflows	<u>104,519</u>	<u>-</u>
Net Position		
Net investment in capital assets	(652,329)	(707,620)
Restricted for system renewals and replacements	2,334,830	2,139,260
Restricted for capital projects	-	-
Unrestricted	271,473	805,161
Total net position	<u>\$1,953,974</u>	<u>\$2,236,801</u>

WADE KING STUDENT RECREATION CENTER
STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION *June 30, 2015 and 2014*

	<u>2015</u>	<u>2014</u>
Operating Revenues		
Service and activity fees, net of mandatory transfer	\$4,041,379	\$3,824,065
Staff, faculty and alumni membership fees	226,449	219,779
Instructional course fees	108,121	129,080
Other course fees	21,780	35,343
Rental revenue	65,516	50,296
Other revenues	62,411	62,785
Total operating revenues	<u>4,525,656</u>	<u>4,321,348</u>
Operating Expenses		
Salaries and benefits	1,567,699	1,522,452
Depreciation	957,127	765,530
Utilities	281,628	283,105
Repairs and maintenance	160,229	193,765
Equipment and furnishings	51,929	66,494
Supplies and materials	62,159	71,264
Administrative assessment	245,677	213,449
Insurance	17,443	38,407
Other	176,188	221,638
Total operating expenses	<u>3,520,079</u>	<u>3,376,104</u>
Income from operations	1,005,577	945,244
Nonoperating Revenues (Expenses)		
Investment income	17,885	11,745
Gift income	-	20
Interest expense	(923,600)	(925,350)
Amortization of bond premiums	(5,143)	(6,025)
Total nonoperating revenues (expenses)	<u>(910,858)</u>	<u>(919,610)</u>
Increase in net assets	94,719	25,634
Net Position, Beginning of Year	<u>2,236,801</u>	<u>2,211,167</u>
Restatement (Note 1)	(377,546)	
Net Position, Beginning of Year, as restated	<u>1,859,255</u>	2,211,167
Net Position, End of Year	<u><u>\$1,953,974</u></u>	<u><u>\$2,236,801</u></u>

WADE KING STUDENT RECREATION CENTER
STATEMENT OF CASH FLOWS

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Cash received from students and other customers	\$4,504,884	\$4,320,444
Payments to employees	(1,541,088)	(1,522,424)
Payments to suppliers	(1,035,717)	(1,375,654)
Net cash flows provided by operating activities	<u>1,928,079</u>	<u>1,422,366</u>
Cash Flows from Noncapital Financing Activities		
Gift Income from the Foundation	<u>2,709</u>	<u>22,731</u>
Net cash flows provided by(used in) noncapital financing activities	2,709	22,731
Cash Flows from Investing Activities		
Net purchases of investments in internal investment pool	(142,852)	1,237,377
Investment income received	<u>17,885</u>	<u>11,745</u>
Net cash flows provided by investing activities	(124,967)	1,249,122
Cash Flows from Capital and Related Financing Activities		
Purchases of equipment	(317,562)	(2,683,753)
Interest paid on capital debt	(925,349)	(925,349)
Principal paid on capital debt	<u>(700,000)</u>	<u>-</u>
Net cash used in capital and related financing	<u>(1,942,911)</u>	<u>(3,609,102)</u>
Net increase in cash and cash equivalents	(137,090)	(914,883)
Cash and cash equivalents, beginning of year	<u>1,396,012</u>	<u>2,310,895</u>
Cash and cash equivalents, end of year	<u>\$1,258,922</u>	<u>\$1,396,012</u>
Reconciliation of Operating Income to Net Cash Provided to Operating Activities		
Income from operations	\$1,005,577	\$945,244
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	957,127	765,530
Net pension expense	7,859	
Change in operating assets and liabilities		
Accounts receivable		
Accounts receivable	9,388	(23,095)
Accounts payable, accrued expenses, salaries and benefits	(23,186)	(287,560)
Prepaid Expense	-	355
Unearned revenue	(30,160)	22,191
Inventory	<u>1,474</u>	<u>(299)</u>
Net cash flows provided by operating activities	<u>\$1,928,079</u>	<u>\$1,422,366</u>

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WADE KING STUDENT RECREATION CENTER
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The Western Washington University Wade King Student Recreation Center (the Recreation Center) is a self-supporting, auxiliary enterprise of Western Washington University (WWU). The Recreation Center is an open recreation fitness and wellness facility for the benefit of eligible students and associated members of WWU. The facility includes a lap/leisure pool and a whirlpool, a three-court gym with elevated running track, a multi-activity court, a rock climbing wall, weight and cardio areas, two group exercise/aerobic rooms, locker rooms, an injury rehabilitation room, a retail food service and lounge area, a conference room, and administrative offices for the Department of Campus Recreation. The Recreation Center is located on WWU campus and is supported by a service and activity fee assessed to students quarterly. In addition, memberships are available for purchase by faculty/staff, alumni, and others closely associated with WWU.

The facility was named in memory of Wade King, a 10-year old who died in 1999 in a pipeline explosion in Bellingham. Prior to fiscal 2011, Wade King's parents, Frank and Mary King, pledged a lifetime gift of \$50,000 per year to the Western Washington University Foundation, a related party, restricted for support to ensure continued quality facilities and programs at the Recreation Center. The Recreation Center requests funds from the Western Washington University Foundation when expenditures are incurred. This gift has been restricted to an estate gift.

Financial Statement Presentation

The financial statements are presented in accordance with generally accepted accounting principles and follow the guidance given by the Governmental Accounting Standards Board (GASB). These statements are special purpose reports reflecting the net position, results of operations and cash flows of the Recreation Center. These statements present only a selected portion of the activities of WWU. As such, they are not intended to and do not present either the financial position, results of operations, or changes in net position of WWU.

Basis of Accounting

The Recreational Center's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Cash, Cash Equivalents and Investments

WWU records all cash and cash equivalents at cost. Investments held by WWU are recorded at fair value. To maximize investment income, WWU combines funds from all departments into an investment pool. The Recreation Center records their share of cash, cash equivalents and investments in the same relation as WWU investment pool itself. Investment income is allocated to the Recreation Center in proportion to its average balance in the investment pool.

Inventory

Inventory consists primarily of athletic and other supplies. Inventory is stated at the lower of cost (first-in, first-out method) or market.

***WADE KING STUDENT RECREATION CENTER
NOTES TO THE FINANCIAL STATEMENTS***

June 30, 2015 and 2014

Accounts Receivable

Receivables are recorded at their principal balances and are due primarily from WWU students. The Recreation Center considers all accounts greater than 30 days old to be past due and uses the allowance method for recognizing bad debts. When an account is deemed uncollectible, it is written off against the allowance. Management determined that an allowance of \$10,285 and \$10,104 at June 30, 2015 and 2014 respectively, is adequate.

Building and Equipment, Net

The building used for the Recreation Center's operations is located on WWU's property. Building and equipment are stated at cost, net of accumulated depreciation. The Recreation Center capitalizes any expenditure for buildings, improvements, and equipment that have a cost of at least \$5,000 and an estimated useful life of more than one year. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets, forty years for buildings and five to seven years for equipment.

Deferred Outflows of Resources and Deferred Inflows of Resources

The Recreation Center classifies losses on retirement of debt as deferred outflows of resources and amortizes such amounts as a component of interest expense over the remaining life of the old debt, or the new debt, whichever is shorter.

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources, Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.

Unearned Revenue

Summer quarter, which is the first quarter of WWU's fiscal year, begins shortly before June 30. The majority of cash received for service and activity fees related to summer session in fiscal 2015 are recorded as unearned revenue until the following fiscal year when the revenue is earned.

Net Pension Liability

The Recreation Center's net pension liability is for its defined benefit plans. The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The fiduciary net position and changes in net position of the defined benefit plans has been measured consistent with the accounting policies used by the plans. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available.

Pension expense is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows and are recognized over the average expected remaining service period for employees eligible for pension benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

WADE KING STUDENT RECREATION CENTER
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

Restatement of prior period

During fiscal 2015, the Recreation Center adopted GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27. Adoption of this statement required the Recreation Center to restate the earliest period presented however, the information provided by the Office of State Actuary (OSA) only allowed the Recreation Center to restate the beginning fiscal 2015 net position. This restatement resulted in a reduction to net position in the amount of \$377,546.

During fiscal 2014, it was decided with the completion of the Harrington Field project that the asset will be split between the Recreation Center and WWU based upon the amount of funding provided by each entity. As such, the Recreation Center recorded 52.8% of the capital asset. The restatement resulted in a total decrease in net position of \$1,960,019 for fiscal 2013 due to the reduction of WWU capital contribution as well as the net present value of the Foundation pledge.

Net Position

The Recreation Center's net position is classified as follows:

Net investment in capital assets. This represents the Recreation Center's total investment in capital assets, net of outstanding debt obligations related to those capital assets as well as unamortized bond issue costs. The deficit in this net position relates to depreciation expense exceeding the principal reduction on the outstanding bonds.

Restricted for system renewals and replacements. Restricted net position represent resources restricted in accordance with bond covenants for system renewals and replacements. Restricted assets are used in accordance with their requirements and where both unrestricted and restricted resources are available for use, unrestricted resources are used first and restricted resources only when the specific use arises.

Unrestricted net position. Unrestricted net position represent resources derived from operations and investing activities along with operating reserves established for future replacement of assets.

Restricted for capital projects. Restricted for capital projects net position represent resources that are restricted by bond covenants and contracts to be used for the Harrington Field project.

Classification of Revenues and Expenses

The Recreation Center has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

Operating revenue includes activities that have the characteristics of exchange transactions, such as service and activity fees charged to students, staff, faculty, and alumni membership fees, and instructional course fees. Operating expenses are those costs incurred in daily operations, such as salaries, utilities, and depreciation.

Nonoperating revenue includes activities that have the characteristics of non-exchange transactions, such as investment and gift income. Nonoperating expenses include costs related to financing or investing activities such as interest on indebtedness.

Student Recreation Center Fee, net of mandatory transfer

Per Revised Code of Washington Section 28B.15.820, WWU is required to transfer a minimum of 3.5% of revenues collected from tuition and services and activities fees into an institutional financial aid fund.

This fund is only to be used to fund short- or long-term loans and grants to students in need. Service and activity

***WADE KING STUDENT RECREATION CENTER
NOTES TO THE FINANCIAL STATEMENTS***

June 30, 2015 and 2014

fee revenue is reported net of this transfer.

Bond Premiums

Bond premiums are deferred and amortized over the term of the bonds using the effective interest method. The remaining balances of bond premiums are presented as an increase of the face amount of bonds payable.

Administrative Assessment

WWU provides support to the Recreation Center through cash and bond debt management, accounting, purchasing and disbursing services, risk management, human resources and other support services. The effects of these transactions are included as operating expenditures in these financial statements. The amount paid was \$245,677 and \$213,449 for fiscal years ended June 30, 2015 and 2014, respectively, and is based on 5.5% and 5.0% of revenues, respectively.

Tax Exemptions

WWU, and the Recreation Center as an auxiliary enterprise, is a tax-exempt instrumentality of the State of Washington under Section 115(a) of the Internal Revenue Code and is exempt from federal taxes on related income.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Interest Rate and Credit Risk

The Recreation Center's operating cash is part of WWU's internal investment pool. The pool is invested in demand deposits, time certificates of deposit, the Washington State Local Government Investment Pool (LGIP) and U.S. Treasury and Agency securities. The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP is an unrated investment pool. Bank balances (including time certificates of deposit) are insured by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). U.S. Treasury and Agency securities are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

WWU manages its exposure to fair value losses in the internal investment pool by targeting the portfolio duration to 2.25 years and limiting the weighted average maturity to a maximum of three years. WWU generally does not invest operating funds in securities maturing more than five years from the date of purchase.

The Recreation Center's investment in WWU's pool includes \$2,334,829 restricted for renewals and replacements.

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	June 30, 2015	Weighted Average Maturity (in years)	June 30, 2014	Weighted Average Maturity (in years)
Cash and Cash Equivalents	\$1,258,923	0.001	\$1,396,013	0.001
Investments				
Certificates of deposit	180,548	1.033	196,112	2.033
U.S. Treasury	596,934	2.410	162,607	1.085
U.S. Agencies	1,349,109	1.614	1,625,019	2.657
	<u>\$3,385,514</u>		<u>\$3,379,751</u>	

NOTE 3. CAPITAL ASSETS, NET

The depreciation expense for the fiscal years ended June 30, 2015 and 2014 was \$957,127 and \$765,530, respectively.

Following are the changes in capital assets for the years ended June 30, 2015 and 2014:

	June 30, 2014	Additions	Reductions	June 30, 2015
Non-Depreciable				
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Depreciable				
Building	27,687,761	260,000		27,947,761
Equipment	348,698	57,562		406,260
Improvements	3,357,078	-		3,357,078
	31,393,537	317,562	-	31,711,099
Less accumulated depreciation	(7,812,761)	(957,127)	-	(8,769,888)
Capital assets, net	<u>\$23,580,776</u>	<u>(\$639,565)</u>	<u>\$ -</u>	<u>\$22,941,211</u>

	June 30, 2013	Additions	Reductions	June 30, 2014
Non-Depreciable				
Construction in Progress	\$666,247	\$ -	(\$666,247)	\$ -
Depreciable				
Building	27,687,761	-	-	27,687,761
Equipment	348,698	-	-	348,698
Improvements	7,078	3,350,000		3,357,078
	28,709,784	3,350,000	(666,247)	31,393,537
Less accumulated depreciation	(7,047,231)	(765,530)	-	(7,812,761)
Capital assets, net	<u>\$21,662,553</u>	<u>\$2,584,470</u>	<u>(\$666,247)</u>	<u>\$23,580,776</u>

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NOTE 4. BONDS PAYABLE

The Recreation Center issued the Revenue and Refunding Bonds Series 2012 in April 2012. The bonds bear interest at rates of 3.0% to 4.1% and mature annually until 2037. The bonds have an aggregate face amount of \$23,685,000 and \$24,385,000 at June 30, 2015 and 2014, which is reported net of the unamortized original issue premium of \$344,655 and \$371,000 respectively.

Aggregate maturities or payments required for principal and interest under bond obligations for each of the succeeding five fiscal years and thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2016	\$ 725,000	\$ 904,350	\$ 1,629,350
2017	750,000	882,600	1,632,600
2018	770,000	860,100	1,630,100
2019	795,000	837,000	1,632,000
2020	815,000	813,150	1,628,150
2021-2025	4,540,000	3,603,475	8,143,475
2026-2030	5,520,000	2,633,800	8,153,800
2031-2035	6,700,000	1,438,600	8,138,600
2036-2037	3,070,000	185,400	3,255,400
	<u>23,685,000</u>	<u>12,158,475</u>	<u>35,843,475</u>
Plus unamortized premium	344,655		
Total	<u>\$ 24,029,655</u>	<u>\$ 12,158,475</u>	<u>\$ 35,843,475</u>

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Following are the changes in bonds payable:

	Beginning Balance	Additions and Amortizations of Bond Premium	Retirements	Ending Balance	Current Portion
As of June 30, 2015 - Series 2012 Revenue Refunding Bonds, net of unamortized original issue premium of \$344,655 and \$371,000 at June 30, 2015 and 2014 respectively.	<u>\$24,756,000</u>	<u>(\$26,345)</u>	<u>(\$700,000)</u>	<u>\$24,029,655</u>	<u>\$725,000</u>
As of June 30, 2014 - Series 2012 Revenue Refunding Bonds, net of unamortized original issue premium of \$371,000 and \$397,393 at June 30, 2014 and 2013 respectively.	<u>\$24,782,393</u>	<u>(\$26,393)</u>	<u>\$ -</u>	<u>\$24,756,000</u>	<u>\$700,000</u>

In accordance with resolutions of the Board of Trustees, WWU sold the Recreation Center Bonds to investors who have a first lien on, and are to be paid solely from the gross revenue from the operation of the Recreation Center.

The amounts and limitations of this pledge are set forth in the resolutions of the Board of Trustees. The bond covenants require that the Recreation Center transfer monies each year to an account held as restricted net position for renewals and replacements of the facilities.

NOTE 5. PENSION PLAN

A. SUMMARY

WWU offers five defined benefit pension plans and three defined benefit/defined contribution plans: the Washington State Public Employees' Retirement System (PERS) plans 1-3, the Washington State Teachers Retirement System (TRS) plans 1-3, the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) plan 1 and the Western Washington University Retirement Plan (WWURP).

Recreation Center employees in eligible positions are participants in WWURP, PERS plans 2 and 3, and TRS plan 1. The Recreation Center contributes to PERS and TRS cost sharing multiple-employer defined benefit pension plans administered by the State of Washington Retirement System. Refer to sections B and C of this note for descriptions of the plans. The Recreation Center contributed \$62,298, \$55,534 and \$50,485 to these plans in fiscal 2015, 2014 and 2013, respectively. Actuarial valuations of the plans for the Recreation Center as a stand-alone entity are not available.

The Recreation Center implemented Statement No. 68 of the Governmental Accounting Standards Board (GASB) *Accounting and Financial Reporting for Pensions* for the fiscal year 2015 financial reporting. The Recreation Center's defined benefit pension plans were created by statutes rather than through trust documents. With the

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exception of the supplemental defined benefit component of the higher education retirement plan, they are administered in a way equivalent to pension trust arrangements as defined by the GASB.

In accordance with Statement No. 68, the Recreation Center has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities.

The state Legislature establishes and amends laws pertaining to the creation and administration of all state public retirement systems. Additionally the state Legislature authorizes state agency participation in plans other than those administered by the state.

Basis of Accounting

Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all plans and additions to/deductions from all plan fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for the Recreation Center, for fiscal year 2014:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (295,414)
Pension assets	-
Deferred outflows of resources related to pensions	14,528
Deferred inflows of resources related to pensions	(104,519)
Pension expense/expenditures	7,859

Investments

The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB-adopted investment policies for the various asset classes in which the WSIB invests.

Department of Retirement Systems. As established in chapter 41.50 of the Revised Code of Washington (RCW), the Department of Retirement Systems (DRS) administers eight retirement systems covering eligible employees of the state and local governments. The Governor appoints the director of the DRS.

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The DRS administered systems that the Recreation Center offers its employees are comprised of two defined benefit pension plans and one defined contribution plan. Below are the DRS plans that the Recreation Center offers its employees:

- Public Employees' Retirement System (PERS)
 - Plan 2 - defined benefit
 - Plan 3 - defined benefit/defined contribution

- Teachers' Retirement System (TRS)
 - Plan 1 - defined benefit

Although some assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan in accordance with the terms of the plan.

Administration of the PERS and TRS systems and plans is funded by an employer rate of 0.18 percent of employee salaries.

The DRS prepares a stand-alone financial report that is compliant with the requirements of Statement 67 of the Governmental Accounting Standards Board. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or online at <http://www.drs.wa.gov/administration/annual-report/>.

Higher Education. As established in chapter 28B.10 RCW, eligible higher education state employees may participate in higher education retirement plans. These plans include a defined contribution plan administered by a third party with a supplemental defined benefit component (on a pay as you go basis) which is administered by the state.

B. DEFINED CONTRIBUTION PLANS

Western Washington University Retirement Plan (WWURP)

Plan Description

The WWURP is a defined contribution single employer pension plan with a supplemental payment, when required. The plan covers faculty, professional staff, and certain other employees. It is administered by WWU. WWU's Board of Trustees is authorized to establish and amend benefit provisions. Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have at all times a 100% vested interest in their accumulations.

Funding Policy

Employee contribution rates, which are based on age, range from 5% to 10% of salary. WWU matches the employee contributions. All required employer and employee contributions have been made.

Supplemental Component

The supplemental payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. The Recreation Center makes direct payments to qualified retirees when the retirement benefit provided by the fund sponsor does not meet the benefit goal. During fiscal year ending June 30,

2011, WWU amended the supplemental retirement plan, limiting participation to those individuals who were active participants on June 30, 2011.

Public Employees' Retirement System Plan 3

Plan Description

The Public Employees' Retirement System (PERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to section C of this note for all PERS Plan descriptions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in PERS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions adjusted by earnings and losses from investments of those contributions upon separation from PERS-covered employment.

C. STATE PARTICIPATION IN PLANS ADMINISTERED BY DRS

Public Employees' Retirement System

Plan Description. The Legislature established the Public Employees' Retirement System (PERS) in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by either, February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to PERS Plan 3.

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PERS participants joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees, have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3.

Refer to section B of this note for a description of the defined contribution component of PERS Plan 3.

Benefits Provided. PERS plans provide retirement, disability, and death benefits to eligible members.

PERS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. There is no cap on years of service credit and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months.

PERS Plan 2 members have the option to retire early with reduced benefits.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. There is no cap on years of service credit. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

PERS Plan 3 members have the option to retire early with reduced benefits.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

Contributions. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Contribution requirements are established and amended by state statute.

Members in Plan 2 can elect to withdraw total employee defined benefit contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

Required contribution rates for fiscal year 2014 are presented in the table in section C.1 of this note.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2013 with the results rolled forward to the June 30, 2014 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

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Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2013 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.50 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	0.80%
Tangible Assets	5%	4.10%
Real Estate	15%	5.30%
Global Equity	37%	6.05%
Private Equity	23%	9.05%
Total	100%	

The inflation component used to create the above table is 2.70 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the fiscal year 2014 reporting period.

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Discount rate. The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/Asset

At June 30, 2014, the Recreation Center reported \$59,589 for its proportionate share of the collective net pension liability for PERS 2/3. The Recreation Center's proportion for PERS 2/3 was 0.003 percent, a decrease of 0.0006 percent since the prior reporting period. The proportions are based on the Recreation Center's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/Asset to Changes in the Discount Rate. The following presents the net pension liability/asset of the Recreation Center as an employer, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate.

PERS 2/3	
Rec Center's proportionate share of Net Pension Liability (Asset)	
1% Decrease	\$ 248,558
Current Discount Rate	\$ 59,589
1% Increase	\$ (84,749)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

For the year ended June 30, 2014, the Recreation Center recognized a PERS 2/3 pension expense of \$(20,837). At June 30, 2014, PERS 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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Recreation Center PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net Difference between projected and actual earnings on pension plan investments	-	63,166
Change in proportion	(18,415)	-
Contributions subsequent to the measurement date	25,137	-
Total	\$ 6,722	\$ 63,166

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30:

PERS 2/3		
2015	\$	(4,092)
2016	\$	(4,092)
2017	\$	(4,092)
2018	\$	(4,092)
2019	\$	(2,046)
Thereafter	\$	-

Teachers' Retirement System

Plan Description. The Legislature established the Teachers' Retirement System (TRS) in 1938. TRS retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and may be amended only by the Legislature. Eligibility for membership requires service as a certificated public school employee working in an instructional, administrative, or supervisory capacity. TRS is comprised principally of non-state agency employees.

TRS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

TRS members who joined the system by September 30, 1977, are a Plan 1 member. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by June 30, 1996, are Plan 2 members unless they

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exercised an option to transfer their membership to Plan 3. TRS members joining the system on or after July 1, 1996 are members of TRS Plan 3.

Legislation passed in 2007 gives TRS members hired on or after July 1, 2007, 90 days to make an irrevocable choice to become a member of TRS Plan 2 or Plan 3. At the end of 90 days, any member who has not made a choice becomes a member of Plan 3.

Refer to section B of this note for a description of the defined contribution component of TRS Plan 3.

Benefits Provided. TRS plans provide retirement, disability, and death benefits to eligible members.

TRS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) for each year of service credit, up to a maximum of 60 percent. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two.

TRS Plan 1 members may elect to receive an optional cost of living allowance (COLA) amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

TRS Plan 2 retirement benefits are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually. TRS Plan 2 members have the option to retire early with reduced benefits. The AFC is the average of the member's 60 highest paid consecutive months.

The defined benefit portion of TRS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

TRS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in TRS Plan 2 by July 1, 1996. Plan 3 members are immediately vested in the defined contribution portion of their plan. TRS Plan 3 members have the option to retire early with reduced benefits.

TRS members meeting specific eligibility requirements, have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

Contributions. TRS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine the contribution requirements are established under state statute.

Members in TRS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from TRS-covered employment.

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Required contribution rates for fiscal year 2014 are presented in the table in section C.1 of this note.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2013 with the results rolled forward to the June 30, 2014 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2013 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.50 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

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Asset Class	Target	Long-Term Expected
	Allocation	Real Rate of Return
Fixed Income	20%	0.80%
Tangible Assets	5%	4.10%
Real Estate	15%	5.30%
Global Equity	37%	6.05%
Private Equity	23%	9.05%
Total	100%	

The inflation component used to create the above table is 2.70 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the fiscal year 2014 reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including TRS Plan 2/3, whose rates include a component for the TRS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/Asset

At June 30, 2014, the Recreation Center reported a liability of \$235,825 for its proportionate share of the collective net pension liability for TRS 1. The Recreation Center's proportion for TRS 1 was 0.007996 percent, an increase of 0.000728 percent since the prior reporting period. The proportions are based on the Recreation Center's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/Asset to Changes in the Discount Rate. The following presents the net pension liability/asset of the Recreation Center as an employer, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate.

TRS 1	
Rec Center's proportionate share of Net Pension Liability (Asset)	
1% Decrease	\$ 303,475
Current Discount Rate	\$ 235,825
1% Increase	\$ 177,756

WADE KING STUDENT RECREATION CENTER
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

For the year ended June 30, 2014, the Recreation Center recognized a TRS 1 pension expense of \$28,696. At June 30, 2014, TRS 1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TRS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net Difference between projected and actual earnings on pension plan investments	-	41,353
Change in proportion	-	-
Contributions subsequent to the measurement date	7,806	-
Total	\$ 7,806	\$ 41,353

***WADE KING STUDENT RECREATION CENTER
NOTES TO THE FINANCIAL STATEMENTS***

June 30, 2015 and 2014

TABLE 1: Required Contribution Rates

The required contribution rates (expressed as a percentage of current year covered payroll) at June 30, 2014 are as follows:

Required Contribution Rates	Employer (University)				Employee		
	Plan 1	Plan 2	Plan 3		Plan 1	Plan 2	Plan 3
<u>PERS</u>							
State agencies, local governmental units	9.03%	4.98%	4.98%	*	6.00%	4.92%	**
Administrative fee	0.18%	0.18%	0.18%				
PERS Plan 1 UAAL	0.00%	4.05%	4.05%				
Total	9.21%	9.21%	9.21%				
<u>TRS</u>							
State agencies, local governmental units	10.21%	5.84%	5.84%	*	6.00%	4.96%	**
Administrative fee	0.18%	0.18%	0.18%				
TRS Plan 1 UAAL	0.00%	4.37%	4.37%				
Total	10.39%	10.39%	10.39%				

*Plan 3 defined benefit portion only.

**Variable from 5% to 15% based on rate selected by the member.

N/A indicates data not applicable.

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

WWU funds OPEB obligations at a University-wide level on a pay-as-you-go basis. Disclosure information, as required under GASB 45, does not exist at department levels, and as a result, the actuarial accrued liability (AAL) is not available for auxiliary entities. WWU is responsible for the annual payment; therefore the annual required contribution is not recorded on the Recreation Center's financial statements.

RSI

REQUIRED SUPPLEMENTARY INFORMATION

***WADE KING STUDENT RECREATION CENTER
REQUIRED SUPPLEMENTARY INFORMATION***

June 30, 2015 and 2014

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Recreation Center's Proportionate Share of the Net Pension Liability

Schedule of Recreation Center Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 2/3 Measurement Date ended June 30 *	
2014	
Recreation Center PERS 2/3 employers' proportion of the net pension liability	0.002948%
Recreation Center PERS 2/3 employers' proportionate share of the net pension liability	\$59,589
Recreation Center PERS 2/3 employers' covered-employee payroll	\$255,966
Recreation Center PERS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.28%
Plan fiduciary net position as a percentage of the total pension liability	93.29%
* As of June 30; this schedule is to be built prospectively until it contains ten years of data.	

***WADE KING STUDENT RECREATION CENTER
REQUIRED SUPPLEMENTARY INFORMATION***

June 30, 2015 and 2014

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Recreation Center's Proportionate Share of the Net Pension Liability

Schedule of Recreation Center Proportionate Share of the Net Pension Liability Teacher's Retirement System (TRS) Plan 1 Measurement Date ended June 30 *	
	2014
Recreation Center TRS 1 employers' proportion of the net pension liability	0.007996%
Recreation Center TRS 1 employers' proportionate share of the net pension liability	\$235,825
Recreation Center TRS 1 employers' covered-employee payroll	\$62,284
Recreation Center TRS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	378.63%
Plan fiduciary net position as a percentage of the total pension liability	68.77%
* As of June 30; this schedule is to be built prospectively until it contains ten years of data.	

***WADE KING STUDENT RECREATION CENTER
REQUIRED SUPPLEMENTARY INFORMATION***

June 30, 2015 and 2014

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30 <i>Recreation Center</i>							
Fiscal Year	Contractually Required Contributions		Contributions in relation to the Contractually Required Contributions		Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
	\$		\$				
2015	\$	25,254	\$	25,137	\$ 117	\$ 274,205	9.17%
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							

Notes:
These schedules will be built prospectively until they contain ten years of data.

***WADE KING STUDENT RECREATION CENTER
REQUIRED SUPPLEMENTARY INFORMATION***

June 30, 2015 and 2014

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 1 Fiscal Year Ended June 30 <i>Recreation Center</i>						
Fiscal Year	Contributions in relation to the			Covered-employee payroll	Contributions as a percentage of covered-employee payroll	
	Contractually Required Contributions	Contractually Required Contributions	Contribution deficiency (excess)			
2015	\$ 7,806	\$ 7,806	\$ 0	\$ 75,130	10.39%	
2016						
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						

Notes:
These schedules will be built prospectively until they contain ten years of data.



ASSOCIATED STUDENTS BOOKSTORE

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***ASSOCIATED STUDENTS BOOKSTORE
MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2015 and 2014

Overview

Western Washington University Associated Students Bookstore (the Bookstore) has served the Western Washington University (WWU) campus community since 1910. Its purpose is to serve as an academic resource for the campus, integrating itself with the academic community and ensuring the availability of educational materials and related goods and services necessary for student success. The Bookstore aims to accomplish this service mission in an economically responsible manner by applying sound, efficient business practices. The Bookstore is operated in the format of a student cooperative; textbook prices reflect a student discount and net operating revenues support student programs. The Associated Students of Western Washington University (ASWWU) manage their net operating revenues and act in partnership with the administration through involvement in the development and recommendation of general policy guidelines.

The following discussion and analysis provides an overview of the financial position and activities of the Bookstore for the years ended June 30, 2015, 2014 and 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

Using the Financial Statements

The Bookstore's financial reports include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows.

The statements are prepared in accordance with Governmental Accounting Standard Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Statement of Net Position

The Statement of Net Position presents the financial condition of the Bookstore at the end of the fiscal year and reports all assets and liabilities of the Bookstore.

The amounts in these statements represent the assets available to continue the operations of the Bookstore and also identify how much the Bookstore owes vendors and all other parties. The difference between assets, deferred outflows, liabilities and deferred inflows is net position. Net position is one indicator of the current financial condition of the Bookstore. The change in net position measures whether the overall financial condition has improved or deteriorated during the year.

Below is a condensed view of the Statements of Net Position as of June 30, 2015, 2014 and 2013:

***ASSOCIATED STUDENTS BOOKSTORE
MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2015 and 2014

ASSETS	2015	2014	2013
Current Assets	\$2,615,877	\$2,520,680	\$2,533,957
Noncurrent Assets	899,314	838,546	592,301
Capital Assets, net	<u>1,233,459</u>	<u>1,275,866</u>	<u>1,327,887</u>
Total assets	4,748,650	4,635,092	4,454,145
 DEFERRED OUTFLOWS	 33,211	 -	 -
 LIABILITIES			
Current liabilities	390,921	360,921	306,572
Noncurrent liabilities	<u>110,059</u>	<u> </u>	<u> </u>
Total liabilities	500,980	360,921	306,572
 DEFERRED INFLOWS	 116,664	 -	 -
 NET POSITION			
Net investment in capital assets	1,233,459	1,275,866	1,327,887
Unrestricted	<u>2,930,758</u>	<u>2,998,305</u>	<u>2,819,686</u>
Total net position	<u>\$4,164,217</u>	<u>\$4,274,171</u>	<u>\$4,147,573</u>

The Bookstore's net position decreased in fiscal 2015 by \$109,954 (-2.6%) largely due to the implementation of GASB Statement No. 68 (Accounting and Financial Reporting for Pensions), which required the Bookstore to recognize its share of a net pension liability for the defined contribution pension plans offered to employees (see Notes 1 and 6). In addition, GASB Statement No. 68 required a restatement of beginning net position in the amount of \$214,069. There was a net position increase of \$126,598 (3.1%) when comparing fiscal 2014 to fiscal 2013 due to increased revenues.

Total current assets increased \$95,197 (3.8%) over fiscal 2014 largely due to investment management strategies combined with a decrease in accounts receivable and increase in inventory. Cash and cash equivalents and short term investments increased \$210,818 (19.9%) as WWU's investment strategy is to ensure liquidity needs while optimizing investment returns (see Note 2). A decrease in textbook returns to publishers contributed to a \$142,651 (-29.4%) decrease in accounts receivable as well as the increase to inventory. Fiscal 2014 total current assets decreased \$13,277 (-0.5%) over fiscal 2013 largely due to a decrease in cash and cash equivalents and short-term investments, combined with increases in accounts receivable and inventory. Fiscal 2014 short-term

***ASSOCIATED STUDENTS BOOKSTORE
MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2015 and 2014

investments decreased \$174,597 (-39.2%) from fiscal 2013 due an increase in long-term investments held as a result of shifting to longer duration investments.

Total noncurrent assets, excluding capital assets, increased \$60,768 (7.2%) during fiscal 2015 and \$246,245 (41.6%) during fiscal 2014 due to increased long-term investments as the Bookstore continues to build an appropriate level of operating reserves.

Capital assets decreased \$42,407 (-3.3%) during fiscal 2015 and \$52,021 (-3.9%) during fiscal 2014 as existing assets depreciated at a greater rate than new capital assets were acquired.

Total current liabilities increased \$30,000 (8.3%) in fiscal 2015 from fiscal 2014 due to an increase in accounts payable related to the timing of invoices offset by a decrease in the total annual distributions to the ASWWU and the WWU Athletics Department (see Note 4). Total current liabilities in fiscal 2014 increased \$54,349 (17.7%) primarily due to an increase in the distribution payable to the ASWWU.

Beginning in fiscal 2015, deferred outflows relating to pensions of \$33,211 (100.0%) were recorded in accordance with GASB Statement No. 68. The deferred outflows related to pensions is primarily due to current year pension expenses that will be recognized in fiscal 2016 (see Note 6).

Noncurrent liabilities increased \$110,059 (100.0%) during fiscal 2015 in accordance with GASB Statement No. 68, which requires the Bookstore to present its share of the net pension liability for the pension plans administered by the Department of Retirement System (see Note 6).

Statement of Revenues, Expenses and Changes in Net Position

The changes in total net position, as presented on the Statement of Net Position, are detailed in the activity shown in the Statement of Revenues, Expenses, and Changes in Net Position. The statement presents the Bookstore's results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as operating or nonoperating.

In general, operating revenues are those earned by providing goods and services to the customers of the Bookstore, primarily sales of textbooks to students. Other operating revenues are primarily commissions earned from used book wholesalers who purchase textbooks from students.

Operating expenses are those expenses to acquire or produce the goods and services provided in return for the operating revenues.

Nonoperating revenues and expenses are monies received or expended for which goods and services are not provided. Under GASB reporting principles, investment income is classified as nonoperating revenue.

***ASSOCIATED STUDENTS BOOKSTORE
MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2015 and 2014

Following is a condensed version of the Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30, 2015, 2014 and 2013:

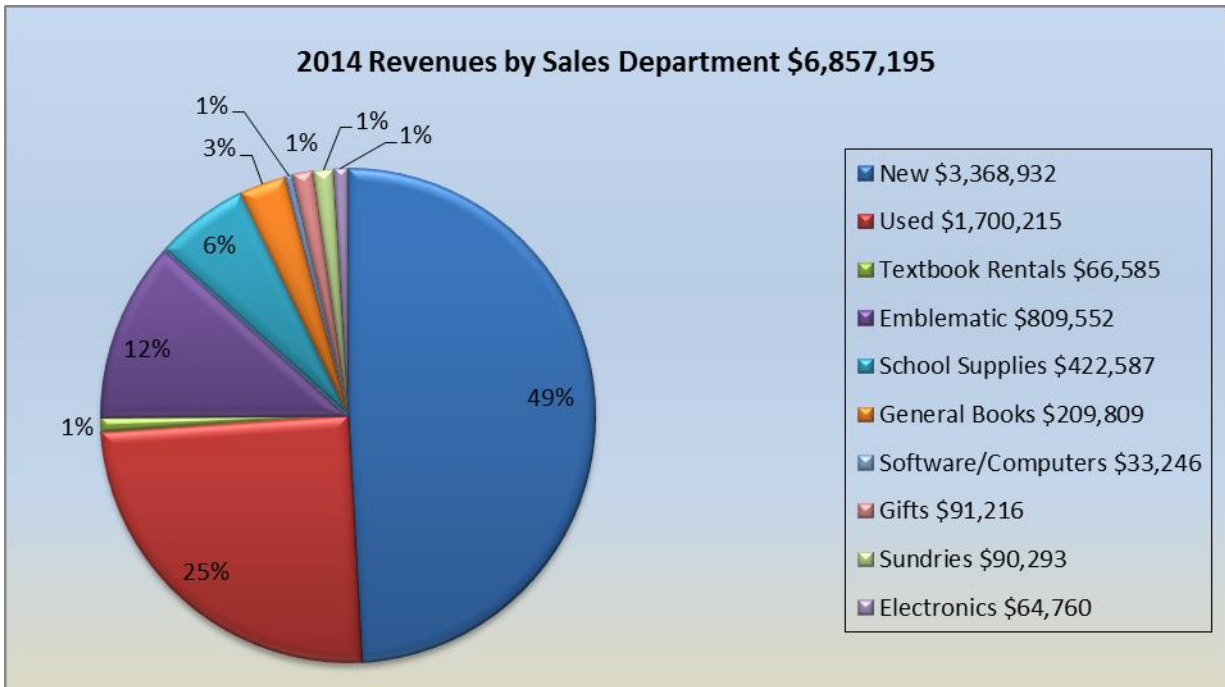
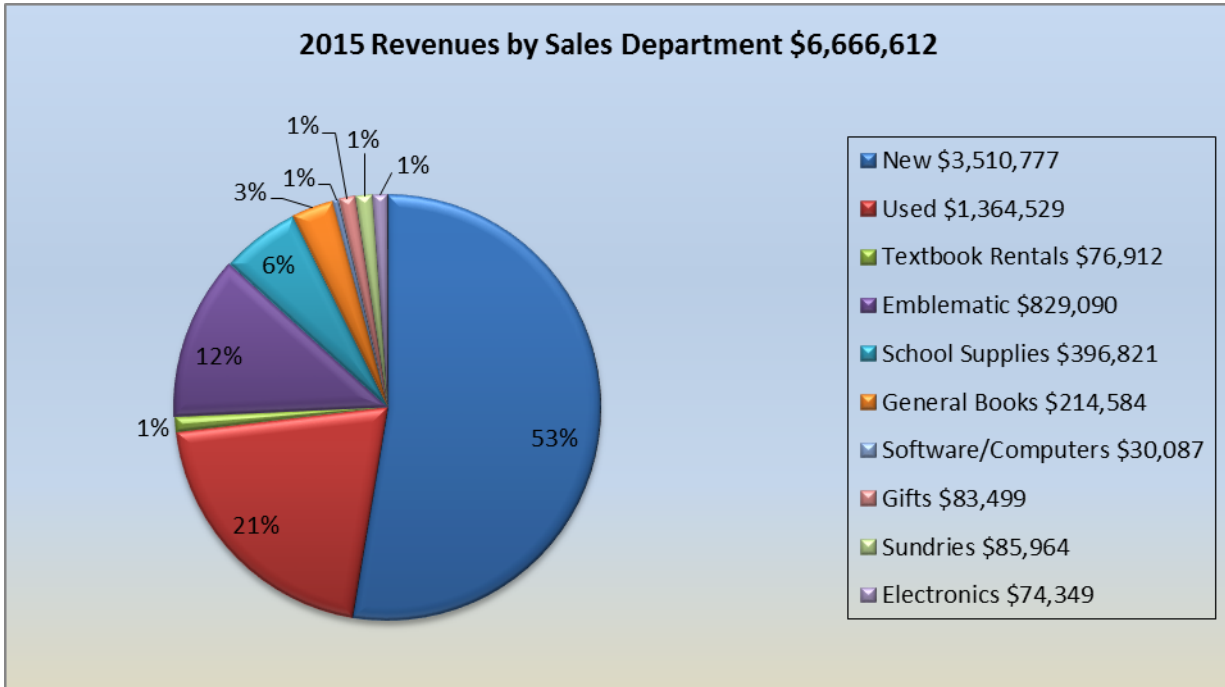
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Sales, net of discounts	\$ 6,666,612	\$6,857,195	\$6,745,860
Cost of goods sold	<u>(5,192,360)</u>	<u>(5,265,778)</u>	<u>(5,217,483)</u>
Gross margin	1,474,252	1,591,417	\$1,528,377
Other operating revenues	61,757	62,909	69,114
Operating expenses	<u>1,372,125</u>	<u>1,441,423</u>	<u>1,444,707</u>
Income (loss) from operations	163,884	212,903	152,784
Nonoperating (expenses) revenues	<u>(59,769)</u>	<u>(86,305)</u>	<u>(82,413)</u>
Changes in net position	104,115	126,598	70,371
Net position, beginning of year	<u>\$4,274,171</u>	<u>\$4,147,573</u>	<u>4,077,202</u>
Restatement	<u>(214,069)</u>	<u> </u>	<u> </u>
Net position, beginning of year as restated	<u>4,060,102</u>	<u> </u>	<u> </u>
Net position, end of year	<u><u>\$ 4,164,217</u></u>	<u><u>\$4,274,171</u></u>	<u><u>\$4,147,573</u></u>

Fiscal 2015 sales net of discounts decreased \$190,583 (-2.8%) from fiscal 2014 primarily due to a reduction in the availability of used textbooks (see revenues by sales department discussion below). Net sales increased in fiscal 2014 compared to fiscal 2013 by \$111,335 (1.7%) largely due to increases in the sales of course materials and school supplies.

In fiscal 2015, cost of goods sold decreased \$73,418 (-1.4%) from fiscal 2014 and increased \$48,295 (0.9%) in fiscal 2014 from fiscal 2013 due to the overall merchandise sales variances (see Revenues by Department discussion).

The gross margin percentage for fiscal 2015 decreased to 22.1% compared to 23.2% in fiscal 2014 and 22.7% in fiscal 2013. In fiscal 2015, gross margin percentage decreased slightly as cost of goods sold declined at a lower rate than reduction in net sales. The average gross margin percentage for bookstores reporting \$5.0-\$9.9 Million Sales Volume in the Independent College Bookstore Association (ICBA) survey for 2013-2014 was 24.3%. The level of textbook discount the Bookstore offers students also continues to impact the Bookstore's gross margin.

The Bookstore maintained a 10% discount on new and used textbooks during fiscal 2015. This discount represented an approximate reduction of \$489,609 in the cost of textbooks for WWU students who purchased their textbooks at the Bookstore. In the ICBA survey for 2013-2014 the average total value of discounts provided by college bookstores who offered discounts on course books to students was \$301,510.



Revenues by Sales Department

Total textbook sales declined to \$4,875,306 in fiscal 2015. This represents a decrease of -3.8% from fiscal year 2014 sales of \$5,069,147 largely due to a decrease in the sales of used textbooks. Fiscal 2014 total textbooks sales increased 1.2% from \$5,006,568 in fiscal 2013 primarily due to an increase in the sales of used textbooks.

New textbook sales increased in fiscal 2015 to a total of \$3,510,777, an increase of \$141,845 (4.2%) due to continued growth in classroom use of custom textbooks and digital components, along with continued growth in third party in-store textbook rentals. Fiscal 2014 sales were nearly flat with sales of \$3,368,932, an increase of \$16,134 (0.5%) from \$3,352,798 in fiscal 2013. New textbook margin percentage for fiscal 2015 was 10.0%, down from 10.6% in fiscal 2014.

Used textbooks sales declined in fiscal 2015 to \$1,364,529, which was down \$335,686 (-19.7%) from fiscal 2014 sales of \$1,700,215. This reduction was due to the increased use of new textbooks (see above) and a downturn in availability of used book inventory. Fiscal 2014 sales were up \$46,445 (2.8%) from \$1,653,770 in fiscal 2013 due to adequate availability of inventory. Used textbook margin percentage for fiscal 2015 was 28.2%, down from fiscal 2014 margin of 30.2%. Used textbooks sales as a percent of total textbook sales were decreased to 28.0% (-5.5%) from 33.5% in fiscal 2014.

New and used textbook sales accounted for 73.1% of total Bookstore sales in fiscal 2015. This percentage was nearly flat with a -0.6% change from 74.9% in fiscal 2014. The ICBA 2013-2014 survey average for bookstores reporting \$5.0-\$9.9 million sales volume was 65.2% of total sales.

The Bookstore continued to support course material options for students by offering rental opportunities directly from the Bookstore and through Rafter, an affiliate company. In fiscal 2015, students rented 857 distinct course book titles through Rafter for a total of 4,749, an increase of 230 (5.1%) course books from 4,519 course books rented in fiscal 2014. The Bookstore directly offered 31 distinct course book titles for rent, up from 20 titles in 2014. Students rented 1025 course books directly from the Bookstore, which was down 27 (-2.6%) from 1052 course books in fiscal 2014.

Fiscal 2015 revenue for the course books rented directly from the Bookstore was \$76,912, an increase of \$10,327 (15.5%) from \$66,585 in fiscal 2014. Fiscal 2014 revenue for the course books rented directly from the Bookstore was up \$37,573 (129.5%) from \$29,012 in fiscal 2013.

Emblematic sales of \$829,090 were up \$19,538 (2.4%) from fiscal 2014 sales of \$809,552 due to sales increases of hats, women's fashions and insignia gifts. Fiscal 2014 sales decreased \$31,641 (-3.8%) from fiscal 2013 sales of \$841,193 due to difficulties in getting products from one of the Bookstore's primary vendors.

School supplies sales fell to \$396,821, a decrease of \$25,766 (-6.1%) from fiscal 2014 sales of \$422,587 due to a sales reduction in lab coats, school and art supplies. Fiscal 2014 sales increased \$55,902 (15.2%) from fiscal 2013 sales of \$366,685 due to a new WWU policy requiring lab coats for chemistry lab courses which caused lab coat sales to increase from \$150 in fiscal 2013 to \$35,312 in fiscal 2014.

General books sales increased slightly to \$214,584, an increase of \$4,775 (2.3%) from fiscal 2014 sales of \$209,809 due to an increase in the sales of stamps and movie tickets. The Bookstore served WWU students and the campus community by offering convenience items such as stamps and movie tickets along with trending items such as journals and book accessories. Fiscal 2014 sales were up \$15,942 (8.2%) from fiscal 2013 sales of \$193,867 due to the sale of quick study guides.

Software sales declined in fiscal 2015 to \$30,087, a decrease of \$3,159 (-9.5%) from sales of \$33,246 in 2014. Fiscal 2014 sales were down \$43,791 (-56.8%) from sales of \$77,037 in fiscal 2013. Beginning in fiscal 2013, students started receiving free on-line access to Microsoft software. Companies such as Microsoft and Adobe continued to change sales and marketing strategies for software further impacting the Bookstore's decline in software sales.

Gift sales decreased to \$83,499, down \$7,717 (-8.5%) from fiscal 2014 sales of \$91,216. Fiscal 2015 sales of non-emblematic gifts were affected by a shift in staff responsibilities for buying non-emblematic gift merchandise. Fiscal 2014 sales were up \$2,675 (3.0%) from fiscal 2013 sales of \$88,541. The increase in fiscal 2014 is due to sales of non-emblematic drinkware, scarves and headwear.

Sundries sales decreased to \$85,964, down \$4,329 (-4.8%) from sales of \$90,293 in fiscal 2014. Fiscal 2014 was up \$4,007 (4.6%) from \$86,286 in fiscal 2013. Sundries sales were impacted by an April 2014 ASWWU policy banning the sale of bottled water on campus.

Electronic sales continued to grow substantially with sales of \$74,349 which were up \$9,589 (14.8%) from fiscal 2014 sales of \$64,760 due to the sales of phone cords and charging systems. Fiscal 2014 sales were up \$8,089 (14.3%) from \$56,671 in fiscal 2013. In fiscal 2014, the sales of small electronic devices such as headphones and ear buds increased to \$41,713 from \$33,430 in fiscal 2013 at the same time the sale of calculators remained flat.

Expenses by Major Source

Fiscal 2015 total operating expenses were down \$69,298 (-4.8%) from fiscal 2014 due largely to a decrease in salaries and benefits. Fiscal 2014 total operating expenses were nearly flat, down \$3,284 (-0.2%) from fiscal 2013.

Fiscal 2015 salaries and benefits were down \$112,363 (-11.2%) from fiscal 2014 as the Bookstore experienced up to three staff vacancies over various parts of the fiscal year as well as reduced employer health care expenses. Salaries and benefits were down \$3,183 (-0.3%) when comparing fiscal 2014 to fiscal 2013.

General and Administrative expenses increased \$24,864 (9.3%) in fiscal 2015 primarily due to an increase in equipment purchases \$18,414 (136%). The equipment purchased included ten new signature capture machines with the capacity to allow the cash registers to read Euro, MasterCard and Visa (EMV) payment cards also known as chip cards. The new signature capture machines will allow the Bookstore to become EMV compliant. The Bookstore also purchased four new desktop computers in an ongoing effort to replace outdated staff computers. General and Administrative expenses increased \$9,935 (3.9%) in fiscal 2014 due to increased purchased computer services and administrative assessment fees.

Facilities expense increased \$22,303 (38.1%) from fiscal 2014 due to the continuation of repairs and maintenance projects started in fiscal 2014. These projects included resurfacing the retail stairways, conference room and staff breakroom floors. The staff breakroom and conference rooms were also painted. Fiscal 2014 facilities expenses decreased \$5,086 (-8.0%) from fiscal 2013 as a number of facilities projects were initiated in fiscal 2014 that were completed in fiscal 2015.

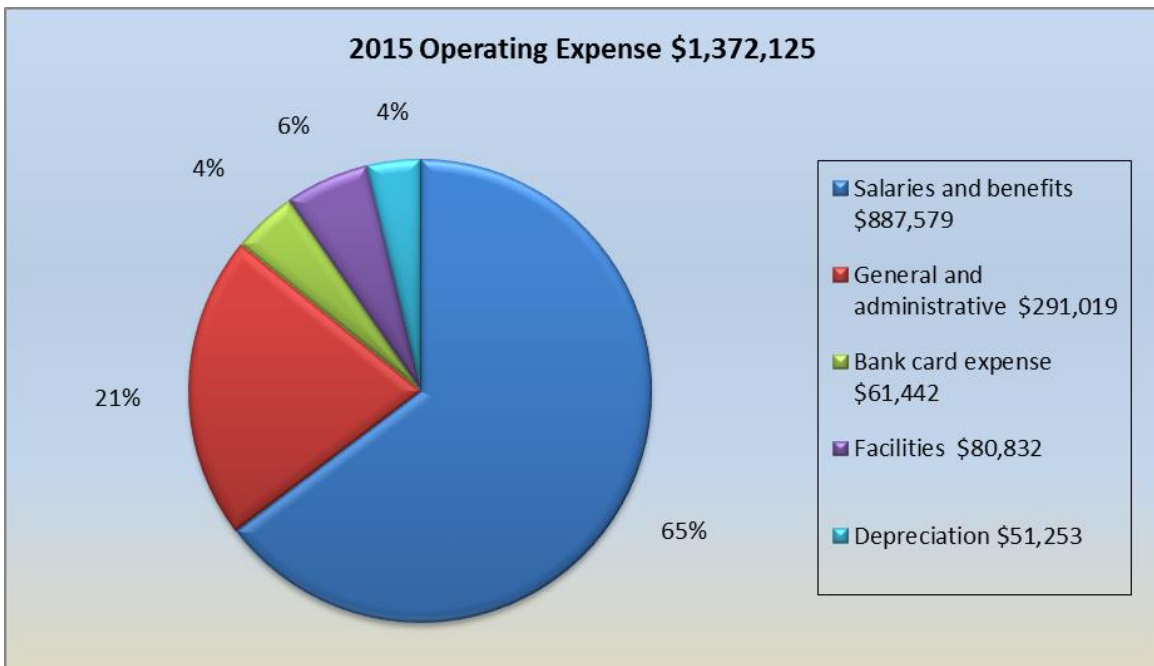
Bank card expense declined \$3,334 (-5.1%) in fiscal 2015 and \$5,652 (-8.0%) in fiscal 2014 due to the increased use of the "Charge It" program. The "Charge It" program allows students to charge up to \$600 per quarter of Bookstore purchases to their student accounts. This allows students to purchase their course materials before

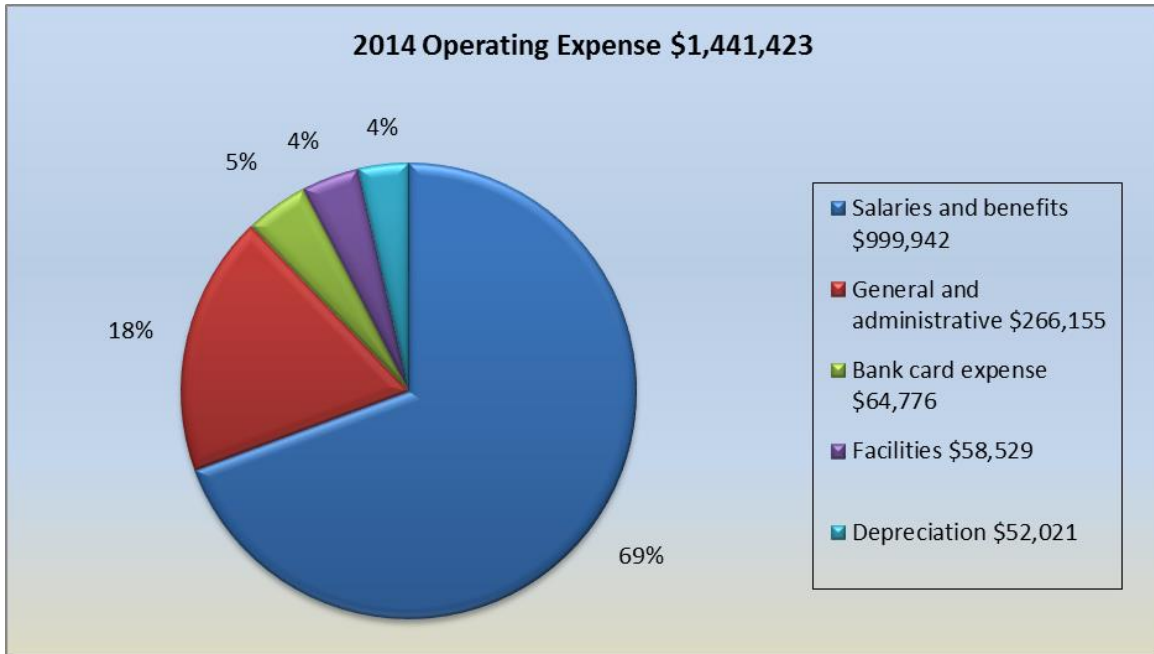
***ASSOCIATED STUDENTS BOOKSTORE
MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2015 and 2014

their financial aid is available. Students continued to charge an increased amount of Bookstore purchases to their student accounts rather than using a credit card.

Nonoperating (expenses) revenues include distributions from the Bookstore to the ASWWU along with distributions to Athletics as part of a revenue sharing agreement (see Note 4). Total nonoperating (expenses) revenues in fiscal 2015 decreased by \$26,536 (-30.7%) due to a net reduction of \$42,059 to the revenue sharing distributions. There was also a decrease of \$17,800 (-35.6%) in the distribution from the ASWWU to the Bookstore. Total nonoperating expenses in fiscal 2014 increased \$3,892 (4.7%) primarily due to a \$50,000 distribution from the ASWWU to the Bookstore, offset by a \$56,193 (123.8%) increase in the distribution from the Bookstore to the ASWU.





Economic Factors and Significant Events

Fiscal 2016 expenses will include an increase in salaries and benefits. Employees received a 3.0% wage increase effective July 1, 2015. At the same time, employer health care benefit costs increased for eligible employees from \$662 per month to \$840 per month and employer pension rates for retirement plans PERS 1, 2 & 3 increased from 9.21% to 11.18%. In fiscal 2017, employees are scheduled to receive a 1.8% wage increase.

The Bookstore is continuing to provide course materials in various formats as faculty and students adopt to alternative formats and delivery methods, with the goal of providing options at different price points. As is evident in the fiscal 2015 results, the shift toward rentals, custom texts and digital course materials will continue to impact what have been historical gross margin percentages, expenses and operating results.

On-line sales through the Bookstore web site continue to be a popular option for students. Although sales were down slightly from last year trending with net sales numbers students purchased \$2,088,016 on-line in fiscal 2015, which was 31.3% of total sales compared with \$2,127,300 in fiscal 2014, which was 31.0% of total sales. Fiscal 2013 students purchased \$1,861,347 which was 27.6% of total sales.



Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Trustees
Western Washington University Associated Students Bookstore
Bellingham, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Western Washington University Associated Students Bookstore (the Bookstore), Whatcom County, Washington, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Bookstore's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bookstore's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bookstore's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Washington University Associated Students Bookstore, as of June 30, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of the Western Washington University Associated Students Bookstore, a department of the University, are intended to present the financial position, and the changes in financial position, and cash flows of only the respective portion of the activities of the University that is attributable to the transactions of the Bookstore. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2015 and 2014, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, in 2015, the Bookstore adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedule of the Bookstore's proportionate share of the net pension liability and schedule of contributions pension trust fund information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Bookstore's basic financial statements as a whole. The Other Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015 on our consideration of the Bookstore's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bookstore's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Jan M. Jutte". The signature is written in a cursive style with a large initial "J" and "M".

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

November 16, 2015

***ASSOCIATED STUDENTS BOOKSTORE
STATEMENT OF NET POSITION***

June 30, 2015 and 2014

Assets	2015	2014
Current assets		
Cash and cash equivalents (Note 2)	\$808,956	\$785,879
Investments (Note 2)	459,063	271,322
Receivables, net of allowance of \$15,585 in 2015 and \$9,965 in 2014 (Note 3)	342,023	484,674
Inventory	996,885	975,475
Prepaid expense	8,950	3,330
Total current assets	<u>2,615,877</u>	<u>2,520,680</u>
Noncurrent assets		
Investments (Note 2)	899,314	838,546
Capital assets, net (Note 5)	1,233,459	1,275,866
Total noncurrent assets	<u>2,132,773</u>	<u>2,114,412</u>
Total assets	<u>4,748,650</u>	<u>4,635,092</u>
Deferred Outflows		
Relating to pensions (Note 6)	33,211	-
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	290,905	218,846
Distribution payable to Associated Students of WWU	58,561	101,597
Distribution payable to WWU Athletics Department	41,455	40,478
Total current liabilities	<u>390,921</u>	<u>360,921</u>
Non current liabilities		
Pension liability	110,059	-
Total noncurrent liabilities	<u>110,059</u>	<u>-</u>
Total liabilities	<u>500,980</u>	<u>360,921</u>
Deferred Inflows		
Relating to pensions (Note 6)	116,664	-
Net Position		
Net investment in capital assets	1,233,459	1,275,866
Unrestricted	2,930,758	2,998,305
Total net position	<u>\$4,164,217</u>	<u>\$4,274,171</u>

ASSOCIATED STUDENTS BOOKSTORE**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION***June 30, 2015 and 2014*

	<u>2015</u>	<u>2014</u>
Operating Revenues		
Sales, net of discounts	\$6,666,612	\$6,857,195
Cost of goods sold	<u>(5,192,360)</u>	<u>(5,265,778)</u>
Gross margin	1,474,252	1,591,417
Other Operating Revenues	61,757	62,909
Operating Expenses		
Salaries and benefits	887,579	999,942
General and administrative expense	291,019	266,155
Facilities expense	80,832	58,529
Depreciation	51,253	52,021
Bank card expense	<u>61,442</u>	<u>64,776</u>
Total operating expenses	<u>1,372,125</u>	<u>1,441,423</u>
Income from operations	163,884	212,903
Nonoperating Revenues (Expenses)		
Investment income	8,047	5,770
Distribution from Associated Students of WWU	32,200	50,000
Distribution to Associated Students of WWU	(58,561)	(101,597)
Distribution to WWU Athletics Department	<u>(41,455)</u>	<u>(40,478)</u>
Total nonoperating (expenses) revenues	<u>(59,769)</u>	<u>(86,305)</u>
Increase in net position	104,115	126,598
Total Net Position, Beginning of Year	4,274,171	4,147,573
Restatement (Note 6)	<u>(214,069)</u>	
Total Net Position, Beginning of Year as restated	<u>4,060,102</u>	
Total Net Position, End of Year	<u><u>\$4,164,217</u></u>	<u><u>\$4,274,171</u></u>

***ASSOCIATED STUDENTS BOOKSTORE
STATEMENT OF CASH FLOWS***

June 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Cash received from students and other customers	\$6,871,020	\$6,825,784
Payments to employees	(920,061)	(988,880)
Payments to suppliers	(5,568,699)	(5,697,427)
Net cash provided by operating activities	<u>382,260</u>	<u>139,477</u>
Cash Flows from Noncapital Financing Activities		
Distribution from Associated Students of WWU	32,200	50,000
Distribution to WWU Athletics Department	(40,478)	(42,060)
Distribution to Associated Students of WWU	(101,597)	(45,404)
Net cash used in noncapital financing activities	<u>(109,875)</u>	<u>(37,464)</u>
Cash Flows from Investing Activities		
Investment income received	8,047	5,770
Net sales of investments in internal pool	(248,509)	(71,648)
Net cash flows used by investing activities	<u>(240,462)</u>	<u>(65,878)</u>
Cash Flows from Capital and Related Financing Activities		
Purchases of equipment	(8,846)	-
Net cash used in capital and related financing activities	<u>(8,846)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	23,077	36,135
Cash and cash equivalents, beginning of year	785,879	749,744
Cash and cash equivalents, end of year	<u><u>\$808,956</u></u>	<u><u>\$785,879</u></u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Income from operations	\$163,884	\$212,903
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	51,253	52,021
Net pension expense	(20,557)	-
Change in operating assets and liabilities		
Receivables	142,651	(94,320)
Accounts payable and accrued expenses	72,059	(262)
Prepaid expenses	(5,620)	2,762
Inventory	(21,410)	(33,627)
Net cash provided by operating activities	<u><u>\$382,260</u></u>	<u><u>\$139,477</u></u>

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Western Washington University Associated Students Bookstore (the Bookstore) is a self supporting, auxiliary enterprise of Western Washington University (WWU). The Associated Students of Western Washington University (ASWWU) have an active partnership with the Bookstore administration through involvement in the development and recommendation of general policy guidelines for the Bookstore. The Bookstore is a discount retailer of textbooks, supplies and general merchandise.

Financial Statements Presentation

These financial statements are presented in accordance with generally accepted accounting principles and follow the guidance given by the Governmental Accounting Standards Board (GASB). The statements are special purpose reports reflecting the net position, results of operations, and cash flows of the Bookstore. These financial statements present only a selected portion of the activities of WWU. As such, they are not intended to and do not present either the financial position, results of operations or changes in net position of WWU.

Basis of Accounting

The Bookstore's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Cash, Cash Equivalents and Investments

WWU records all cash and cash equivalents at cost. Investments held by WWU are recorded at fair value. To maximize investment income, WWU combines funds from all departments into an investment pool. The Bookstore records their share of cash, cash equivalents and investments in the same relation as WWU's investment pool itself. Investment income is allocated to the Bookstore in proportion to its average balance in the investment pool.

Accounts Receivable

Receivables are recorded at their principal balances. The Bookstore considers all accounts greater than 30 days old to be past due and uses the allowance method for recognizing bad debts. When an account is deemed uncollectible, it is written off against the allowance. Management determined that an allowance of \$15,585 and \$9,965 at June 30, 2015 and 2014 respectively, is adequate. Credits due from publishers represent amounts due from returned merchandise.

Inventory

Inventory consists of textbooks, supplies, and general merchandise and is stated at the lower of cost (retail method) or market.

Improvements and Equipment

The building used for the Bookstore's operations is located on the WWU's property. Building improvements and equipment are stated at cost, net of accumulated depreciation. The Bookstore capitalizes any expenditure for buildings, improvements, and equipment that have a cost of at least \$5,000 and an estimated useful life of more than one year. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets; forty years for building improvements and four to seven years for equipment.

***ASSOCIATED STUDENTS BOOKSTORE
NOTES TO THE FINANCIAL STATEMENTS***

June 30, 2015 and 2014

Net Position

The Bookstore's net positions are classified as follows:

Net investment in capital assets. This category represents the Bookstore's total investment in capital assets.

Restricted, expendable. This category represents net position restricted by an outside entity for a specific use. Restricted assets are used in accordance with their requirements and where both restricted and unrestricted resources are available for use, unrestricted resources are used first and then restricted resources as the specific use arises.

Unrestricted. This category represents resources derived from operations and investing activities.

Classification of Revenues, Expenses, and Transfers

Operating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as sales and services.

Nonoperating revenues. Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as investment income.

Operating expenses. Operating expenses are those costs incurred in daily operations, such as salaries, general and administrative and depreciation.

Nonoperating expenses. Nonoperating expenses include amounts payable to outside entities due to existing revenue sharing agreements.

Tax Exemption

WWU, and the Bookstore as an auxiliary enterprise, is a tax-exempt instrumentality of the State of Washington organized under the provisions of Section 115(a) of the Internal Revenue Code and is exempt from federal income taxes on related income.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Administrative Assessment

WWU provides support to the Bookstore through cash management, accounting, purchasing and disbursing services, risk management, and other support services. The effects of these transactions are recorded as operating expenses in these financial statements.

Restatement

During fiscal 2015, the Bookstore adopted GASB Statement No. 68 "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27". Statement No. 68 requires that the Bookstore record in its statements its proportional share of the State's net pension liability for the defined benefit pension plans that are administered by the State and to restate the beginning net position

***ASSOCIATED STUDENTS BOOKSTORE
NOTES TO THE FINANCIAL STATEMENTS***

June 30, 2015 and 2014

of the earliest period presented. The amount of restatement to the beginning FY 15 net position was \$214,069. The net pension liability information is provided to the Bookstore by the Department of Retirement Systems (DRS) and the Office of State Actuary (OSA). The information provided by DRS and OSA only allowed the Bookstore to restate fiscal 2015 beginning net position due to the measurement period of June 30, 2014 for the net pension liability.

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Interest Rate and Credit Risk

The Bookstore's operating cash is part of the WWU's internal investment pool. The pool is invested in demand deposits, time certificates of deposit, the Washington State Local Government Investment Pool (LGIP) and U.S. Treasury and Agency securities. The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP is an unrated investment pool. Bank balances (including time certificates of deposit) are insured by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). U.S. Treasury and Agency securities are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

WWU manages its exposure to fair value losses in the internal investment pool by targeting the portfolio duration to 2.25 years and limiting the weighted average maturity to a maximum of 3 years. WWU generally does not invest operating funds in securities maturing more than five years from the date of purchase.

	2015	Weighted Average Maturity (in years)	2014	Weighted Average Maturity (in years)
Cash and Cash Equivalents	\$808,956	0.001	\$785,879	0.001
Investments				
Certificates of deposit	115,326	1.033	109,766	2.033
U.S. Treasuries	381,296	2.410	90,898	1.085
U.S. Agencies	861,755	1.614	909,204	2.657
	<u>\$2,167,333</u>		<u>\$1,895,747</u>	

***ASSOCIATED STUDENTS BOOKSTORE
NOTES TO THE FINANCIAL STATEMENTS***

June 30, 2015 and 2014

NOTE 3. RECEIVABLES

Receivables at June 30, 2015 and 2014 include:

	<u>2015</u>	<u>2014</u>
Credits due from publishers	\$236,955	\$377,877
Accounts receivable	105,068	106,797
	<u>\$342,023</u>	<u>\$484,674</u>

NOTE 4. REVENUE SHARING AGREEMENTS

The Bookstore and the Associated Students Board (AS Board) entered into a revenue sharing agreement commencing during fiscal year 2007. The agreement states that the Bookstore will retain the first \$25,000 of net income and will split any net income above the first \$25,000 equally with the ASWWU. The agreement was extended until June 30, 2015. There was a distribution of \$58,561 in fiscal 2015, and \$101,597 in fiscal 2014.

Beginning in fiscal 2003, the Bookstore agreed to make an annual distribution to the Western Washington University Athletics Department. The appropriation is based on 5% of emblematic clothing, hat and gift item sales, after discounts. The distribution payable for the years ended June 30, 2015 and 2014 were \$41,455 and \$40,478 respectively.

NOTE 5. CAPITAL ASSETS, NET

The depreciation expense for the fiscal years ended June 30, 2015 and 2014 was \$51,253 and \$52,021 respectively.

Following are the changes in building and equipment for the years ended June 30, 2015 and 2014:

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>
Building improvements	\$1,867,033	\$ -	\$ -	\$1,867,033
Fixtures and equipment	444,276	8,846	-	453,122
	2,311,309	8,846	-	2,320,155
Less accumulated depreciation	(1,035,443)	(51,253)	-	(1,086,696)
Building Improvements and Equipment, net	<u>\$1,275,866</u>	<u>(\$42,407)</u>	<u>\$0</u>	<u>\$1,233,459</u>
	<u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2014</u>
Building improvements	\$1,867,033	\$ -	\$ -	\$1,867,033
Fixtures and equipment	459,368	-	(15,092)	444,276
	2,326,401	-	(15,092)	2,311,309
Less accumulated depreciation	(998,514)	(52,021)	15,092	(1,035,443)
Building Improvements and Equipment, net	<u>\$1,327,887</u>	<u>(\$52,021)</u>	<u>\$0</u>	<u>\$1,275,866</u>

NOTE 6. PENSION PLANS

A. SUMMARY

WWU offers five defined benefit pension plans and three defined benefit/defined contribution plans: the Washington State Public Employees' Retirement System (PERS) plans 1-3, the Washington State Teachers Retirement System (TRS) plans 1-3, the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) plan 1 and the Western Washington University Retirement Plan (WWURP).

Bookstore employees in eligible positions are participants in WWURP and PERS plans 2 and 3. The Bookstore contributes to PERS cost sharing multiple-employer defined benefit pension plans administered by the State of Washington Retirement System. Refer to sections B and C of this note for descriptions of the plans. The Bookstore contributed \$45,088, \$51,750 and \$50,066 to these plans in fiscal 2015, 2014 and 2013, respectively.

The Bookstore implemented Statement No. 68 of the Governmental Accounting Standards Board (GASB) *Accounting and Financial Reporting for Pensions* for the fiscal year 2015 financial reporting. The Bookstore's defined benefit pension plans were created by statutes rather than through trust documents. With the exception of the supplemental defined benefit component of the higher education retirement plan, they are administered in a way equivalent to pension trust arrangements as defined by the GASB.

In accordance with Statement No. 68, the Bookstore has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities.

The state Legislature establishes and amends laws pertaining to the creation and administration of all state public retirement systems. Additionally the state Legislature authorizes state agency participation in plans other than those administered by the state.

Basis of Accounting

Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all plans and additions to/deductions from all plan fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for the Bookstore, for fiscal year 2014:

Aggregate Pension Amounts - PERS 2/3	
Pension liabilities	\$ (110,059)
Pension assets	-
Deferred outflows of resources related to pensions	33,211
Deferred inflows of resources related to pensions	(116,664)
Pension expense/expenditures	(20,557)

Investments

The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB-adopted investment policies for the various asset classes in which the WSIB invests.

Department of Retirement Systems. As established in chapter 41.50 of the Revised Code of Washington (RCW), the Department of Retirement Systems (DRS) administers eight retirement systems covering eligible employees of the state and local governments. The Governor appoints the director of the DRS.

The DRS administered systems that the Bookstore offers its employees are comprised of one defined benefit pension plan and one defined benefit/defined contribution plan. Below are the DRS plans that the Bookstore offers its employees:

- Public Employees' Retirement System (PERS)
 - Plan 2 - defined benefit
 - Plan 3 - defined benefit/defined contribution

Although some assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan in accordance with the terms of the plan.

Administration of the PERS plans is funded by an employer rate of 0.18 percent of employee salaries.

The DRS prepares a stand-alone financial report that is compliant with the requirements of Statement 67 of the Governmental Accounting Standards Board. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or online at <http://www.drs.wa.gov/administration/annual-report/>.

Higher Education. As established in chapter 28B.10 RCW, eligible higher education state employees may participate in higher education retirement plans. These plans include a defined contribution plan administered by a third party with a supplemental defined benefit component (on a pay as you go basis) which is administered by the state.

B. DEFINED CONTRIBUTION PLANS

Western Washington University Retirement Plan (WWURP)

Plan Description

The WWURP is a defined contribution single employer pension plan with a supplemental payment, when required. The plan covers faculty, professional staff, and certain other employees. It is administered by WWU. WWU's Board of Trustees is authorized to establish and amend benefit provisions. Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have at all times a 100% vested interest in their accumulations.

Funding Policy

Employee contribution rates, which are based on age, range from 5% to 10% of salary. WWU matches the employee contributions. All required employer and employee contributions have been made.

Supplemental Component

The supplemental payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. The Bookstore makes direct payments to qualified retirees when the retirement benefit provided by the fund sponsor does not meet the benefit goal. During fiscal year ending June 30, 2011, WWU amended the supplemental retirement plan, limiting participation to those individuals who were active participants on June 30, 2011.

Public Employees' Retirement System Plan 3

Plan Description

The Public Employees' Retirement System (PERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to section C of this note for all PERS Plan descriptions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in PERS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions adjusted by earnings and losses from investments of those contributions upon separation from PERS-covered employment.

C. STATE PARTICIPATION IN PLANS ADMINISTERED BY DRS

Public Employees' Retirement System

Plan Description. The Legislature established the Public Employees' Retirement System (PERS) in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by either, February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to PERS Plan 3.

PERS participants joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees, have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3.

Refer to section B of this note for a description of the defined contribution component of PERS Plan 3.

Benefits Provided. PERS plans provide retirement, disability, and death benefits to eligible members.

PERS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. There is no cap on years of service credit and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months.

PERS Plan 2 members have the option to retire early with reduced benefits.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. There is no cap on years of service credit. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

***ASSOCIATED STUDENTS BOOKSTORE
NOTES TO THE FINANCIAL STATEMENTS***

June 30, 2015 and 2014

PERS Plan 3 members have the option to retire early with reduced benefits.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

Contributions. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 employer contribution rates. Contribution requirements are established and amended by state statute.

Members in Plan 2 can elect to withdraw total employee defined benefit contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

Required contribution rates for fiscal year 2014 are presented in the table in section C.1 of this note.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2013 with the results rolled forward to the June 30, 2014 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2013 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

***ASSOCIATED STUDENTS BOOKSTORE
NOTES TO THE FINANCIAL STATEMENTS***

June 30, 2015 and 2014

The long-term expected rate of return of 7.50 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	0.80%
Tangible Assets	5%	4.10%
Real Estate	15%	5.30%
Global Equity	37%	6.05%
Private Equity	23%	9.05%
Total	100%	

The inflation component used to create the above table is 2.70 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the fiscal year 2014 reporting period.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/Asset

At June 30, 2014, the Bookstore reported \$110,059 for its proportionate share of the collective net pension liability for PERS 2/3. The Bookstore's proportion for PERS 2/3 was 0.005 percent, a decrease of 0.0001 percent since the prior reporting period. The proportions are based on the Bookstore's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/Asset to Changes in the Discount Rate. The following presents the net pension liability/asset of the Bookstore as an employer, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate.

PERS 2/3	
Bookstore's proportionate share of Net Pension Liability (Asset)	
1% Decrease	\$ 459,080
Current Discount Rate	\$ 110,059
1% Increase	\$ (156,528)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.
For the year ended June 30, 2014, the Bookstore recognized a PERS 2/3 pension expense of \$(20,557) thousand. At June 30, 2014, PERS 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Bookstore PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net Difference between projected and actual earnings on pension plan investments	-	116,664
Change in proportion	(3,894)	-
Contributions subsequent to the measurement date	37,105	-
Total	\$ 33,211	\$ 116,664

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30:

**ASSOCIATED STUDENTS BOOKSTORE
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2015 and 2014

PERS 2/3		
2015	\$	(865)
2016	\$	(865)
2017	\$	(865)
2018	\$	(865)
2019	\$	(433)
Thereafter	\$	-

TABLE 1: Required Contribution Rates

The required contribution rates (expressed as a percentage of current year covered payroll) at June 30, 2014 are as follows:

Required Contribution Rates	Employer (University)			Employee		
	Plan 1	Plan 2	Plan 3	Plan 1	Plan 2	Plan 3
PERS						
State agencies, local governmental units	9.03%	4.98%	4.98% *	6.00%	4.92%	**
Administrative fee	0.18%	0.18%	0.18%			
PERS Plan 1 UAAL	0.00%	4.05%	4.05%			
Total	9.21%	9.21%	9.21%			

*Plan 3 defined benefit portion only.

**Variable from 5% to 15% based on rate selected by the member.

N/A indicates data not applicable.

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS

WWU funds OPEB obligations at a university-wide level on a pay-as-you-go basis. Disclosure information, as required under GASB 45, does not exist at department levels, and as a result, the AAL is not available for auxiliary entities. WWU is responsible for the annual payment; therefore, the annual required contribution (ARC) is not recorded on the Bookstore's financial statements.

RSI

REQUIRED SUPPLEMENTARY INFORMATION

***ASSOCIATED STUDENTS BOOKSTORE
REQUIRED SUPPLEMENTARY INFORMATION***

June 30, 2015 and 2014

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedule of the Bookstore's Proportionate Share of the Net Pension Liability

Schedule of the Bookstore's Proportionate Share of the Net Pension Liability	
Public Employees' Retirement System (PERS) Plan 2/3	
Measurement Date ended June 30 *	
	2014
Bookstore PERS 2/3 employers' proportion of the net pension liability	0.005445%
Bookstore PERS 2/3 employers' proportionate share of the net pension liability	\$110,059
Bookstore PERS 2/3 employers' covered-employee payroll	\$469,996
Bookstore PERS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.42%
Plan fiduciary net position as a percentage of the total pension liability	93.29%
* As of June 30; this schedule is to be built prospectively until it contains ten years of data.	

***ASSOCIATED STUDENTS BOOKSTORE
REQUIRED SUPPLEMENTARY INFORMATION***

June 30, 2015 and 2014

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30 <i>Bookstore</i>					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	\$ 38,864	\$ 37,105	\$ 1,759	\$ 421,975	8.79%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					

Notes:
These schedules will be built prospectively until they contain ten years of data.

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OTHER INFORMATION

**FIVE-YEAR CONDENSED VIEW OF STATEMENTS OF NET POSITION
Years ended June 30, 2015, 2014, 2013, 2012, and 2011**

Assets	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current assets	\$2,615,877	\$2,520,680	\$2,533,957	\$2,583,960	\$2,238,423
Non-current assets	899,314	838,546	592,301	430,440	518,356
Capital Assets	<u>1,233,459</u>	<u>1,275,866</u>	<u>1,327,887</u>	<u>1,365,618</u>	<u>1,414,541</u>
Total assets	<u>4,748,650</u>	<u>4,635,092</u>	<u>4,454,145</u>	<u>4,380,018</u>	<u>4,171,320</u>
Deferred outflows	33,211				
 Liabilities					
Accounts payable and accruals	290,905	218,846	219,108	213,996	89,112
Pension liability	110,059				
Due to other WWU departments	<u>100,016</u>	<u>142,075</u>	<u>87,464</u>	<u>88,820</u>	<u>75,754</u>
Total liabilities	<u>500,980</u>	<u>360,921</u>	<u>306,572</u>	<u>302,816</u>	<u>164,866</u>
Deferred inflows	116,664				
Total Net Position	<u>\$4,164,217</u>	<u>\$4,274,171</u>	<u>\$4,147,573</u>	<u>\$4,077,202</u>	<u>\$4,006,454</u>
 Current ratio (current assets/current liabilities)	6.69	6.98	8.27	8.53	13.58
 Return on assets (change in net position/total assets)	-2.3% *	2.7%	1.6%	1.6%	1.4%

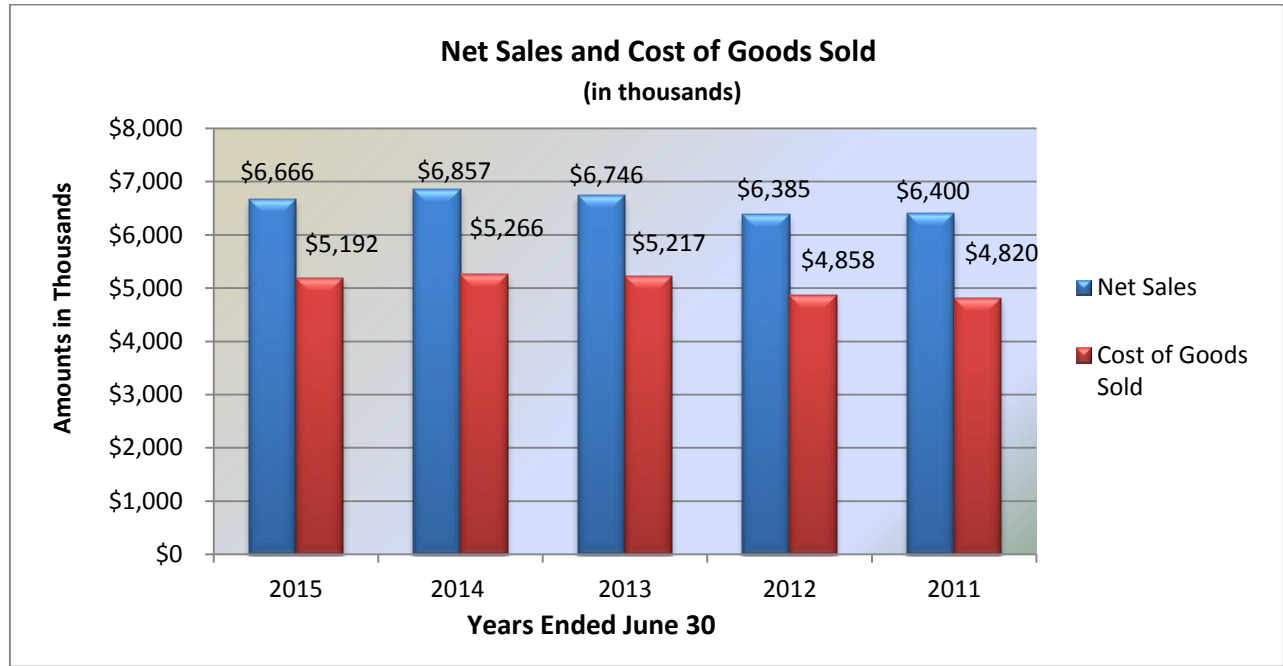
* During fiscal 2015, the Bookstore implemented GASB Statement No. 68 - Reporting for pensions - which required the Bookstore to recognize its share of the net pension liability of the defined benefit plans and restate fiscal 2015 beginning net position. This restatement caused the decrease in ROA.

FIVE-YEAR STATEMENTS OF REVENUES AND EXPENSES
Years ended June 30, 2015, 2014, 2013, 2012, and 2011

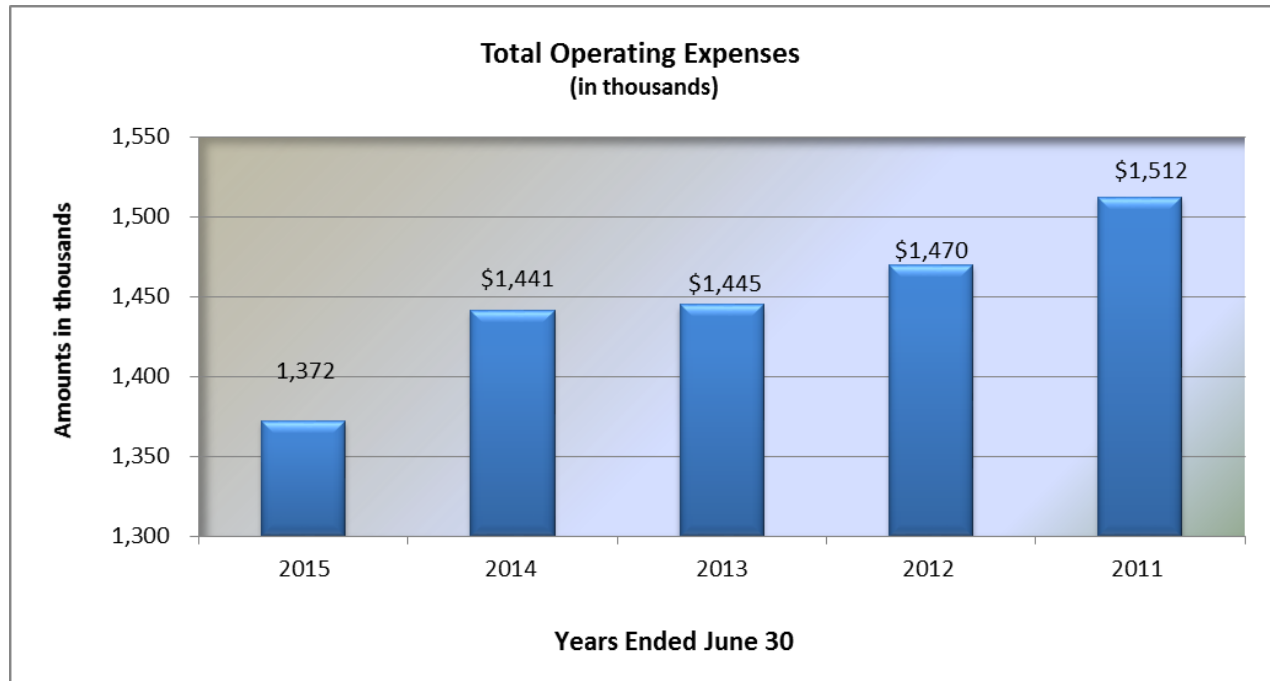
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net sales	\$6,666,612	\$6,857,195	\$6,745,860	\$6,384,528	\$6,399,545
Cost of goods sold	<u>(5,192,360)</u>	<u>(5,265,778)</u>	<u>(5,217,483) *</u>	<u>(4,858,228)</u>	<u>(4,819,995)</u>
Gross profit	1,474,252	1,591,417	1,528,377	1,526,300	1,579,550
Other Operating Revenues	61,757	62,909	69,114	63,929	61,686
Operating expenses					
Salaries and benefits	887,579	999,942	1,003,125	984,520	1,035,613
General and administrative expense	291,019	266,155	256,220	295,263	244,883
Facilities expense	80,832	58,529	63,615	64,456	89,687
Depreciation	51,253	52,021	51,319	48,923	48,789
Bank card expense	<u>61,442</u>	<u>64,776</u>	<u>70,428</u>	<u>77,303</u>	<u>92,925</u>
Total operating expense	<u>1,372,125</u>	<u>1,441,423</u>	<u>1,444,707</u>	<u>1,470,465</u>	<u>1,511,897</u>
Income (loss) from operations	163,884	212,903	152,784	119,764	129,339
Nonoperating revenues (expenses)					
Investment income	8,047	5,770	5,051	5,804	6,619
Distribution from Associated Students of WWU	32,200	50,000	-	34,000	-
Distribution to Associated Students of WWU	(58,561)	(101,597)	(45,404)	(45,751)	(35,202)
Distribution to WWU Athletics Department	<u>(41,455)</u>	<u>(40,478)</u>	<u>(42,060)</u>	<u>(43,069)</u>	<u>(40,552)</u>
Total nonoperating revenues (expenses)	<u>(59,769)</u>	<u>(86,305)</u>	<u>(82,413)</u>	<u>(49,016)</u>	<u>(69,135)</u>
Increase (decrease) in net assets	<u>\$104,115</u>	<u>\$126,598</u>	<u>\$70,371</u>	<u>\$70,748</u>	<u>\$60,204</u>
Gross profit percentage (gross profit/net sales)	22.1%	23.2%	22.7%	23.9%	24.7%

* Beginning with fiscal 2013, freight out costs for returned merchandise are included in costs of goods sold rather than an operating expense.

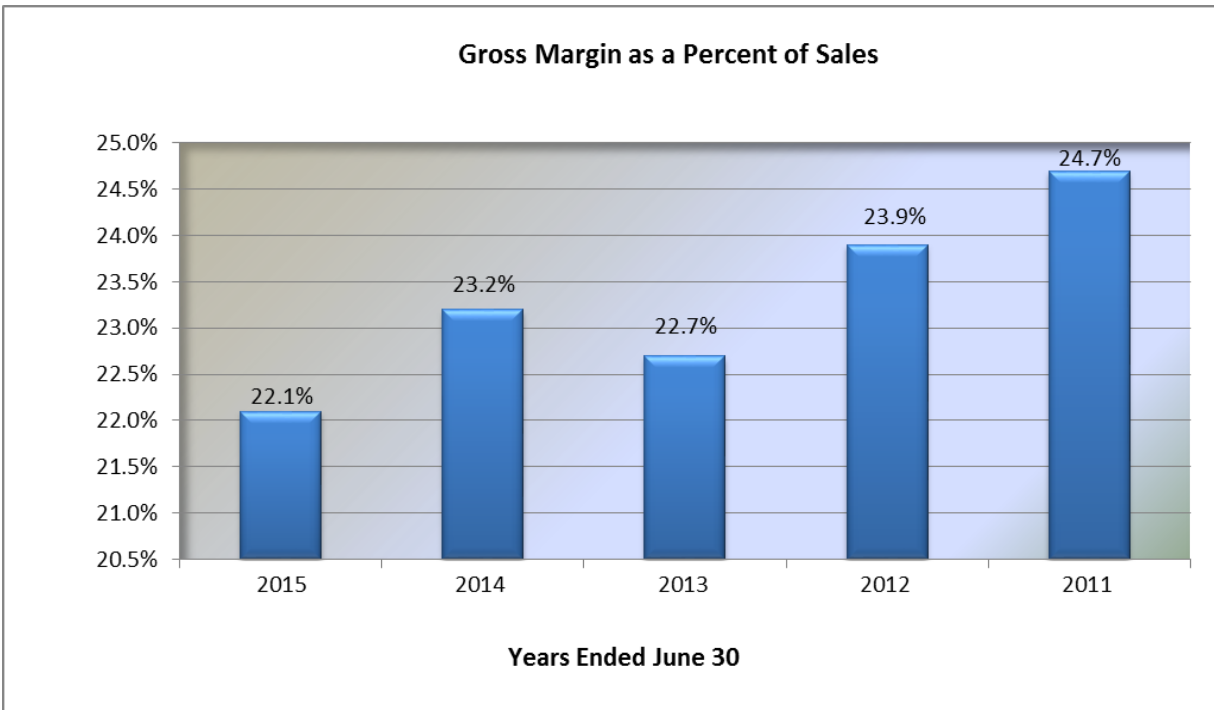
FIVE-YEAR NET SALES AND COST OF GOODS SOLD



FIVE-YEAR TOTAL OPERATING EXPENSES



**FIVE-YEAR INCOME FROM OPERATIONS AND
GROSS MARGIN AS PERCENTAGE OF SALES**



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PARKING SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015 and 2014

Overview

Western Washington University's Parking Services (Parking Services) is responsible for managing the parking space available on the Western Washington University (WWU) campus. Operations include assigning and issuing parking permits, enforcing parking regulations, maintaining parking lots, and managing parking pay-stations and metered parking. Parking Services also manages special event parking, vendor and contractor parking and related special use parking on the university campus.

The following discussion and analysis provide an overview of the financial activities and financial position of Parking Services for the years ended June 30, 2015, 2014, and 2013. The discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and accompanying notes.

Using the Financial Statements

Parking Services financial report includes the Statement of Net Position, the Statement of Revenue, Expenses, and Changes in Net Position and the Statement of Cash Flows.

The statements are prepared in accordance with Governmental Accounting Standard Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Statement of Net Position

The Statement of Net Position presents the financial condition of Parking Services at the end of the fiscal year and report all assets and liabilities.

The amounts in these statements represent the assets available to continue the operations of Parking Services and identify what is owed to vendors and other parties. The difference between assets, deferred outflows, liabilities and deferred inflows is net position. Net position is one indicator of the current financial condition of Parking Services. The change in net position measures whether the overall financial condition has improved or deteriorated during the fiscal year.

Below is a condensed view of the Statement of Net Position as of June 30, 2015, 2014 and 2013:

PARKING SERVICES**MANAGEMENT'S DISCUSSION AND ANALYSIS****June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets			
Current assets	\$942,549	\$600,503	\$697,689
Noncurrent assets	695,386	477,848	266,328
Nondepreciable capital assets, net	3,612,592	3,503,223	3,503,223
Depreciable capital assets, net	<u>553,534</u>	<u>599,724</u>	<u>4,147,171</u>
Total assets	5,804,061	5,181,298	8,614,411
Deferred Outflows			
	38,469	-	-
Liabilities			
Current liabilities	414,390	322,515	427,415
Noncurrent liabilities	<u>1,835,382</u>	<u>1,820,000</u>	<u>1,935,000</u>
Total liabilities	2,249,772	2,142,515	2,362,415
Deferred Inflows			
	161,915		
Net Position			
Net investment in capital assets	2,346,126	2,167,947	2,063,612
Restricted	25,114	-	-
Unrestricted	<u>1,059,603</u>	<u>870,836</u>	<u>685,161</u>
Total net position	<u>\$3,430,843</u>	<u>\$3,038,783</u>	<u>\$2,748,773</u>

Total current assets increased \$342,046 (57.0%) during fiscal 2015 due to an increase in cash and cash equivalents and short-term investments. The increase in short-term investments is due to WWU's investment strategy to ensure liquidity needs while optimizing investment returns (See Note 2). Total current assets decreased \$97,186 (-13.9%) during fiscal 2014 primarily due to a decrease in accounts receivable, as the remaining Federal Transit Administration (FTA) grant funds for the Lincoln Creek Transportation Center (LCTC) were received.

Total noncurrent assets, excluding capital assets, increased \$217,538 (45.5%) during fiscal 2015 and \$211,520 (79.4%) during fiscal 2014 primarily due to increases in long-term investments as Parking Services continues to build the appropriate level of reserves.

Capital assets, net increased \$63,179 (10.5%) during fiscal 2015 due to Parking Service's parking lot improvements offset with depreciation. Parking Services has developed a schedule for repairing and maintaining the parking lots throughout WWU. Capital assets, net decreased \$44,224 (-6.9%) during fiscal 2014, due to depreciation offset by the purchase of a \$23,323 new vehicle.

Current liabilities increased \$91,875 (28.5%) during fiscal 2015 primarily due to the timing of invoices related to parking lot improvements. Current liabilities decreased \$104,900 (-24.5%) during fiscal 2014 due primarily to decreases in accounts payable (timing of invoices payments), accrued salaries and benefits and the payoff of the Certificate of Participation (COP) for parking pay box stations (Note 4).

Noncurrent liabilities increased \$15,382 (0.8%) during fiscal 2015 due to a \$135,382 (100.0%) increase in the net pension liability combined with scheduled principal payment for the outstanding lease balance on LCTC. During fiscal 2015, Parking Services adopted GASB Statement No. 68 Accounting and Financial Reporting for Pensions. This statement requires Parking Services to present its share of the net pension liability for the pension plans administered by the Department of Retirement System (See note 6). During fiscal 2014, noncurrent liabilities decreased \$115,000 (-5.9%) due to scheduled principal payment of the LCTC lease.

PARKING SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015 and 2014

Total net position increased \$392,060 (12.9%) during fiscal 2015. This increase is primarily due to decreases in operating expenditures, combined with a beginning net position restatement of \$286,542 as part of the adoption of GASB Statement No. 68. Had this restatement not been required, total net position would have increased \$678,602. During fiscal 2014, total net position increased \$290,010 (10.6%) due to increases in net investment in capital assets from scheduled principal payments on debt and capital purchases, as well as the transfer of certain institutional expenses from Parking Services to WWU.

Statement of Revenues, Expenses and Changes in Net Position

The changes in total net position, as presented on the Statement of Net Position, are detailed in the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The statements present Parking Services results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as operating and non-operating. Also in accordance with GASB Statement No. 34, fines revenues are recognized when collected.

In general, operating revenues are those received for providing goods and services to the customers of Parking Services, primarily permit sales to staff, faculty and students. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues.

Nonoperating revenues are monies received for which goods and services are not provided. Under GASB reporting principles, investment income is classified as non-operating.

Following is a condensed version of the Statement of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30, 2015, 2014 and 2013:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues	\$1,787,055	\$1,697,403	\$1,603,727
Operating expenses	<u>(1,258,383)</u>	<u>(1,548,945)</u>	<u>(1,690,591)</u>
Operating income	528,672	148,458	(86,864)
Nonoperating (expenses) revenues	<u>149,930</u>	<u>141,552</u>	<u>(83,632)</u>
Income from operating and non-operating activities	678,602	290,010	(170,496)
Capital grant revenue	<u>-</u>	<u>-</u>	<u>122,797</u>
Increase in net position	678,602	290,010	(47,699)
Net position, beginning of year	3,038,783	2,748,773	2,796,472
Restatement	<u>(286,542)</u>		
Net position, end of year	<u>\$3,430,843</u>	<u>\$3,038,783</u>	<u>\$2,748,773</u>

Revenues

Parking permit revenue comprises the largest source of revenue for Parking Services. Permit revenue for fiscal 2015 decreased slightly \$8,651 (-0.8%) as more customers purchased parking permits via pay box stations (see discussion below). Permit revenue increased \$43,867 (4.1%) when comparing fiscal 2014 to fiscal 2013 due to additional permits sold in the 12A employee parking lot and the 16CR resident overflow parking.

PARKING SERVICES

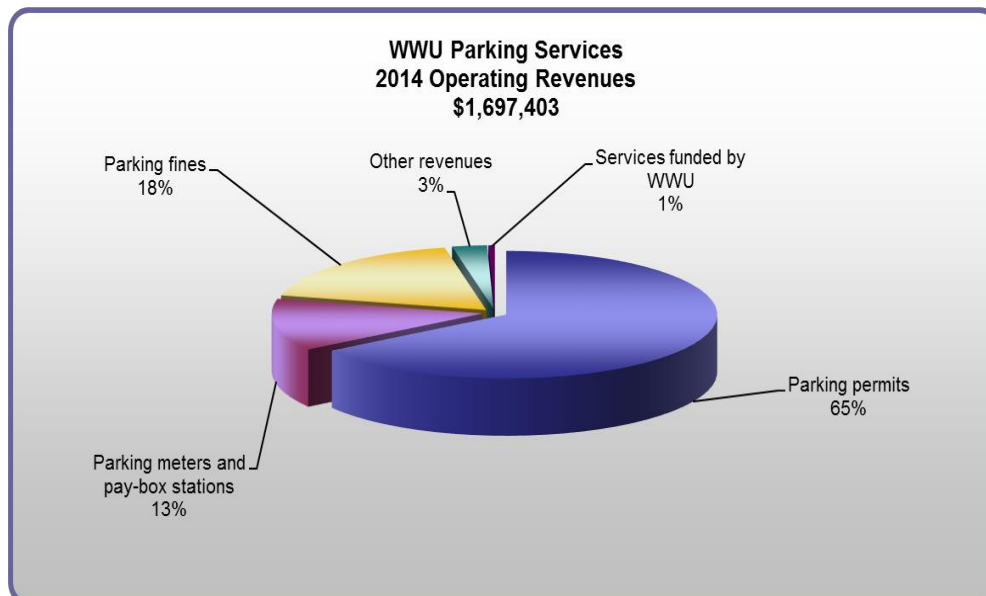
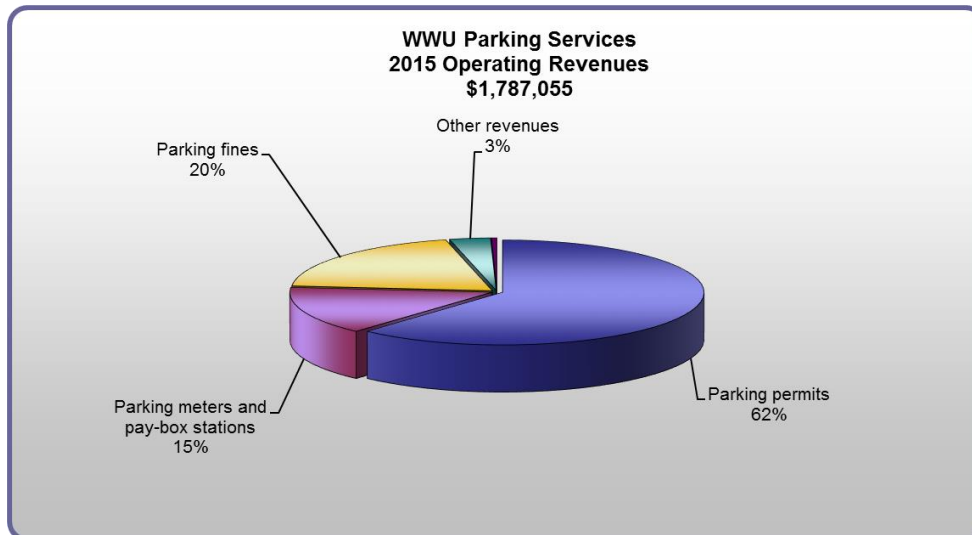
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015 and 2014

Parking meter and pay box station revenues increased \$39,848 (17.7%) primarily due to continued increase in the pay box stations. WWU visitors may select to use a free standing pay station machine or a parking meter rather than purchasing a parking permit. Parking meter and pay box station revenues increased \$6,691 (3.1%) when comparing fiscal 2014 to fiscal 2013 due to increased use of self-serve pay box stations.

Parking fines revenue increased \$45,629 (14.8%) when comparing fiscal 2015 to fiscal 2014 as a result of continued regular billing and the added option and convenience of paying citations online. Parking fines revenue increased \$40,802 (15.3 %) when comparing fiscal 2014 to fiscal 2013 as Parking Services resumed a monthly billing schedule.

Other revenues increased \$13,326 (29.4%) when comparing fiscal 2015 to fiscal 2014, due to an increase in parking lot rentals for WWU events. Other revenues decreased \$3,529 (-7.2%) when comparing fiscal 2014 to fiscal 2013, due to a decrease in event lot rentals.



PARKING SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015 and 2014

Expenses

Salaries and benefits decreased \$179,586 (-18.4%) when comparing fiscal 2015 to fiscal 2014 due to various position vacancies, a reduction in the employer portion of health care benefits and the adoption of GASB Statement No. 68, which reduced Parking Services fiscal 2015 pension contributions by \$52,828 (these expenses will be recognized in fiscal 2016, See Notes 1 & 6). Salaries and benefits decreased \$100,761 (9.3%) when comparing fiscal 2014 to fiscal 2013 due to the reallocation of position funding for several positions, including Emergency Communications, to WWU as institutional expenses.

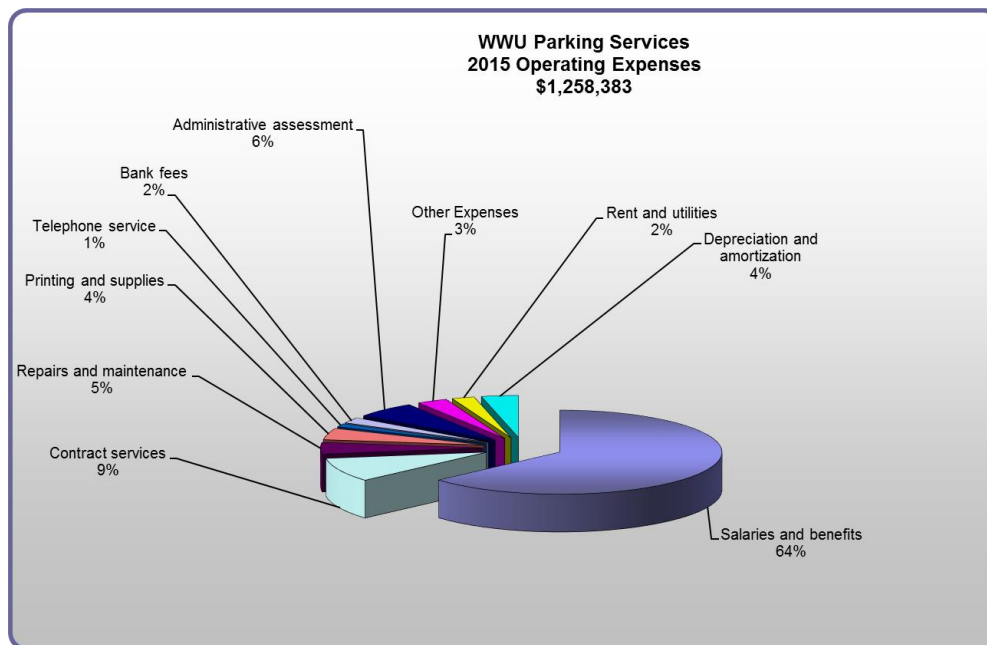
During fiscal 2014 Parking Services began implementation of an online permit and citation payment function within their system. During fiscal 2015, Contract Services decreased \$8,610 (-6.9%), as the implementation of the online parking system was completed. Contract services expense increased by \$50,762 (69.1%) during fiscal 2014 due to the onset of the implementation of the new online function.

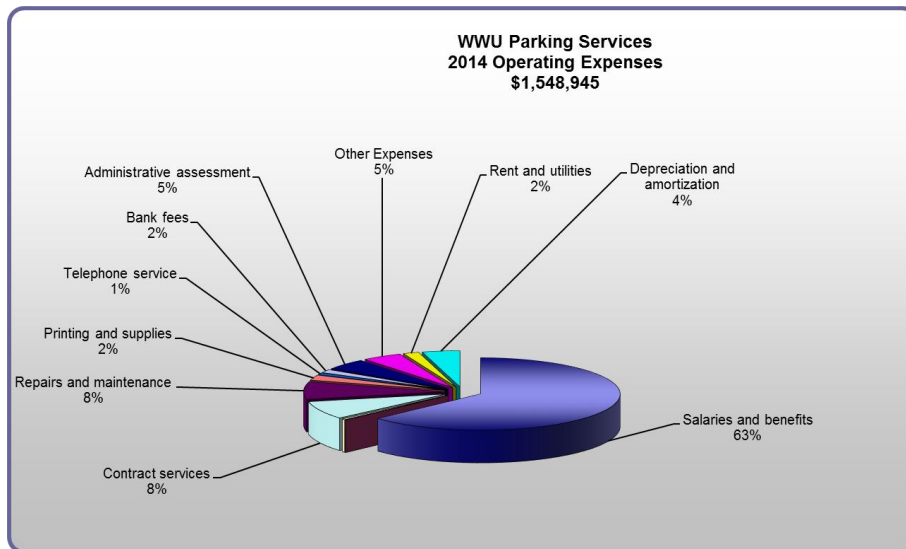
During fiscal 2015 and fiscal 2014, repairs and maintenance expenses decreased \$65,738 (-54.1%) and \$15,489 (-11.3%), respectively due to a reduction in lot maintenance. Lots will be actively repaired in accordance with the maintenance schedule of ongoing lot maintenance, which will be capitalized as improvements.

Telephone service expenses increased \$2,174 (16.0%) during fiscal 2015 as a result of initiating a new contract to cover six cellular connections for the electronic parking ticket hardware. Telephone expense increased \$3,593 (36.0%) during fiscal 2014 due to providing cellular service to parking enforcement.

Bank fees increased \$4,425 (19.2%) during fiscal 2015 and \$2,383 (11.6%) during fiscal 2014, as online payments by credit cards increased.

Total nonoperating revenues (expenses) increased by \$8,378 (5.9%) due to an increase in investment earnings offset by a reduction of the interest expense on the LCTC lease. Total nonoperating revenues (expenses) increased \$225,184 (269.3%) in fiscal 2014 as a result of \$194,155 institutional support provided for LCTC debt service payments as well as bond issuance costs having been completely amortized in fiscal 2013.





Economic Factors and Significant Events

The Parking Services operational review of processes, positions and overall structure continues. Parking operating software and use of pay box stations is also under review.

The Parking lot maintenance plan has been approved, lot improvements to be scheduled.



Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Trustees
Western Washington University Parking Services
Bellingham, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Western Washington University Parking Services (Parking Services), Whatcom County, Washington, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Parking Services' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Parking Services' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parking Services' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Washington University Parking Services, as of June 30, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of the Western Washington University Parking Services, a department of the University, are intended to present the financial position, and the changes in financial position, and cash flows of only the respective portion of the activities of the University that is attributable to the transactions of the Parking Services. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2015 and 2014, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, in 2015, Parking Services adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages, and the schedules of Parking Services proportionate share of the net liability and schedule of contributions pension trust fund information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015 on our consideration of the Parking Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Parking Services' internal control over financial reporting and compliance.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

November 16, 2015

PARKING SERVICES
STATEMENT OF NET POSITION

June 30, 2015 and 2014

Assets	2015	2014
Current assets		
Cash and cash equivalents (Note 2)	\$600,050	\$445,836
Investments (Note 2)	342,147	154,614
Accounts receivable	80	23
Prepaid expenses	272	30
Total current assets	<u>942,549</u>	<u>600,503</u>
Noncurrent assets		
Investments (Note 2)	670,272	477,848
Restricted net pension	25,114	-
Depreciable capital assets, net (Note 5)	553,534	599,724
Non depreciable capital assets, net (Note 5)	3,612,592	3,503,223
Total noncurrent assets	<u>4,861,512</u>	<u>4,580,795</u>
Total assets	<u>5,804,061</u>	<u>5,181,298</u>
Deferred Outflows		
Relating to pensions	38,469	-
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	113,241	25,114
Accrued salaries and benefits	76,516	85,515
Current portion of notes payable (Note 4)	120,000	115,000
Unearned revenue	104,633	96,886
Total current liabilities	<u>414,390</u>	<u>322,515</u>
Noncurrent liabilities		
Net pension liability Note 6)	135,382	
Note payable, less current portion (Note 4)	1,700,000	1,820,000
Total noncurrent liabilities	<u>1,835,382</u>	<u>1,820,000</u>
Total liabilities	<u>2,249,772</u>	<u>2,142,515</u>
Deferred Inflows		
Relating to pensions	161,915	-
Net Position		
Net investment in capital assets	2,346,126	2,167,947
Restricted for pensions	25,114	-
Unrestricted	1,059,603	870,836
Total net position	<u>\$3,430,843</u>	<u>\$3,038,783</u>

PARKING SERVICES

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

June 30, 2015 and 2014

	2015	2014
Operating Revenues		
Parking permits	\$1,102,496	\$1,111,147
Parking meters and pay box stations	264,407	224,559
Parking fines	353,625	307,996
Other revenues	58,590	45,264
Services funded by WWU	7,937	8,437
Total operating revenues	<u>1,787,055</u>	<u>1,697,403</u>
Operating Expenses		
Salaries and benefits	798,143	977,729
Viking Express bus pass	80	1,781
City contracts	-	5,875
Contract services	115,648	124,258
Repairs and maintenance	55,749	121,487
Printing and supplies	55,200	35,878
Telephone service	15,759	13,585
Bank fees	27,431	23,006
Administrative assessment	77,916	77,872
Other expenses	38,123	71,584
Rent and utilities	28,144	28,343
Depreciation and amortization	46,190	67,547
Total operating expenses	<u>1,258,383</u>	<u>1,548,945</u>
Operating income	528,672	148,458
Nonoperating Revenues (Expenses)		
Contribution for building rent and utilities	28,144	28,343
Institutional Support	194,655	194,155
Interest income	6,403	3,340
Interest on indebtedness	(79,272)	(84,286)
Amortization of bond issuance costs	-	-
Total nonoperating revenues (expenses)	<u>149,930</u>	<u>141,552</u>
Increase in Net Position	678,602	290,010
Total Net Position, Beginning of Year	3,038,783	2,748,773
Restatement (Note 1)	(286,542)	
Total Net Position, Beginning of Year restated	<u>2,752,241</u>	
Total Net Position, End of Year	<u>\$3,430,843</u>	<u>\$3,038,783</u>

PARKING SERVICES
STATEMENT OF CASH FLOWS

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Cash received from students, employees and visitors	\$1,786,808	\$1,804,608
Cash received from the university	7,937	8,437
Cash paid to employees	(859,970)	(1,004,784)
Cash paid to suppliers	(298,021)	(473,849)
Net cash provided by operating activities	<u>636,754</u>	<u>334,412</u>
Cash flows from investing activities		
Interest income received	6,403	3,340
Net sales of investments in internal pool	(379,957)	(165,627)
Net cash provided by investing activities	<u>(373,554)</u>	<u>(162,287)</u>
Cash flows from capital and related financing activities		
Institutional support for debt service payments	194,655	194,155
Payments on note payable	(115,000)	(148,559)
Purchase of capital assets	(109,369)	(23,323)
Interest paid on indebtedness	(79,272)	(84,286)
Net cash provided by (used in) capital and related financing activities	<u>(108,986)</u>	<u>(62,013)</u>
Net decrease in cash and cash equivalents	154,214	110,112
Cash and cash equivalents, beginning of year	<u>445,836</u>	<u>335,724</u>
Cash and cash equivalents, end of year	<u><u>\$600,050</u></u>	<u><u>\$445,836</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$528,672	\$148,458
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation and amortization	46,190	67,547
Net pension expense	(52,828)	-
Contributed building rent and utilities	28,144	28,343
Net changes in assets and liabilities		
Receivables	(57)	118,676
Prepaid	(242)	42,729
Accounts payable and accrued liabilities	88,127	(41,251)
Accrued salaries and benefits	(8,999)	(27,056)
Deferred revenue	7,747	(3,034)
Net cash provided by operating activities	<u><u>\$636,754</u></u>	<u><u>\$334,412</u></u>

PARKING SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Western Washington University Parking Services (Parking Services), a division of Business and Financial Affairs, is a self-supporting, auxiliary enterprise of Western Washington University (WWU) and is responsible for the oversight and operation of the parking facilities and public transportation services of the University.

Parking Services facilitates access to the University for over 15,000 students, faculty, staff, vendors and guests. To supplement approximately 3,400 campus parking spaces, the transportation program provides assistance, education and incentives for walking, transit use, bicycling and carpooling.

Financial Statement Presentation

The financial statements are presented in accordance with generally accepted accounting principles and follow the guidance given by the Governmental Accounting Standards Board (GASB). These statements are special purpose reports reflecting the net position, results of operations and cash flows of Parking Services. The financial statements present only a selected portion of the activities of the University. They are not intended to and do not present either the financial position, results of operations, or changes in net position of the University.

Basis of Accounting

The financial statements of Parking Services have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Cash, Cash Equivalents and Investments

WWU records all cash and cash equivalents at cost. Investments held by WWU are recorded at fair value. To maximize investment income, the University combines funds from all departments into an investment pool. Parking Services records their share of cash, cash equivalents and investments in the same relation as the University investment pool itself. Investment income is allocated to Parking Services in proportion to its average balance in the investment pool.

Deferred outflows of resources and deferred inflows of resources

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflow of resources.

Capital Assets, net

Land, vehicles, pay box stations, and improvements other than buildings and equipment are stated at cost. Parking Services capitalizes items with a cost of \$5,000 or more and an estimated useful life greater than one year. Depreciation is calculated on the straight-line basis over the estimated lives of the assets, five to seven years for vehicles, pay box stations, and equipment.

Unearned Revenue and Revenue Recognition

Unearned revenues are parking permit sales collected in advance that relate to subsequent accounting periods. Parking permit revenues are recognized during the period to which the permits relate. Grant revenues are recognized when the related expenditures are incurred. Citation and pay-box revenues are recognized when earned. Fines revenues are recognized when collected.

PARKING SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

Net pension liability

Parking Services records pension obligations equal to the net pension liability for its defined benefit plans. The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The fiduciary net position and changes in net position of the defined benefit plans has been measured consistent with the accounting policies used by the plans. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. Pension expense is recognized for benefits earned during the measurement period, interest on the unfunded liability and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows and are recognized over the average expected remaining service period for employees eligible for pension benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

Restatement of Net Position

During FY 2015, Parking Services adopted GASB Statement No. 68 "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27". Statement No. 68 requires that Parking Services record in its statements its proportional share of the State's net pension liability for the defined benefit pension plans that are administered by the State and to restate the beginning net position of the earliest period presented. The amount of restatement to the beginning FY 15 net position was \$286,542. The net pension liability information is provided to Parking Services by the Department of Retirement Systems (DRS) and the Office of State Actuary (OSA). The information provided by DRS and OSA only allowed Parking Services to restate FY 15 beginning net position due to the measurement period of June 30, 2014 for the net pension liability.

Net Position

Parking Services' net position is classified as follows:

Net investment in capital assets. This represents the total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Unrestricted. This represents resources derived from operations and investing activities.

Classification of Revenue, Expenses and Transfers

Operating revenue includes activities that have the characteristics of exchange transactions, such as the sale of parking permits, parking meter, pay box and fine revenue. Operating expenses are those costs incurred in daily operations, such as salaries, repairs and depreciation.

Nonoperating revenue includes items that do not have the characteristics of exchange transactions, such as contributed income and interest income. Nonoperating expenses include costs related to financing or investing activities, such as interest on indebtedness.

Tax Exemption

The University, and Parking Services as an auxiliary enterprise, is an instrumentality of the State of Washington organized under the provisions of Section 115(a) of the Internal Revenue Code and is exempt from federal income taxes on related income.

PARKING SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior year financial statements may have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Interest Rate and Credit Risk

Parking Services' cash and cash equivalents and investments are part of the University's internal investment pool. The pool is invested in demand deposits, time certificates of deposit, the Washington State Local Government Investment Pool (LGIP) and U.S. Treasury and Agency securities. The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP is an unrated investment pool. Bank balances (including time certificates of deposit) are insured by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). U.S. Treasury and Agency securities are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

WWU manages its exposure to fair value losses in the internal investment pool by targeting the portfolio duration to 2.25 years and limiting the weighted average maturity to a maximum of 3 years. WWU generally does not invest operating funds in securities maturing more than five years from the date of purchase.

	2015	Weighted Average Maturity (in years)	2014	Weighted Average Maturity (in years)
Cash and cash equivalents	\$600,050	0.001	\$445,836	0.001
Investments				
Certificates of deposit	85,954	1.033	62,525	2.033
U.S. Treasuries	284,186	2.41	51,843	1.085
U.S. Agencies	642,279	1.614	518,094	2.657
	<u>\$1,612,469</u>		<u>\$1,078,298</u>	

PARKING SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 3. LINCOLN CREEK TRANSPORTATION CENTER (LCTC)

The LCTC project is a key component to an overall transportation management plan of providing access to the University and local region while supporting transit services and traffic mitigation. The LCTC encourages alternative modes of transportation, including carpooling and bicycling, and provides incentives to reduce use of single occupancy vehicles. The site is located approximately 2 miles east of the main campus. The project was funded with a Federal Transit Administration (FTA) grant, which ended in 2013.

NOTE 4. NOTES PAYABLE

Parking Services financed the purchases of the Lincoln Creek property through the issuance of Certificates of Participation by the Washington State Treasurer at an interest rate of 4.42% and payable over 20 years. The program offers lease financing to state agencies to purchase capital assets and property. The University will own the property outright after all payments have been made. The long-term debt has a carrying value of \$1,820,000 at June 30, 2015

Following are the changes in noncurrent long-term liabilities for the year ended June 30, 2015 and 2014:

<u>Notes Payable</u>	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2015</u>	<u>Current Portion</u>
Certificates of Participation	\$1,935,000	-	(115,000)	\$1,820,000	\$120,000

<u>Notes Payable</u>	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2014</u>	<u>Current Portion</u>
Certificates of Participation	\$2,083,559	-	(148,559)	\$1,935,000	\$115,000

Parking Services debt service requirements for this agreement for the next five years and thereafter are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2016	120,000	74,955
2017	125,000	70,055
2018	130,000	64,955
2019	135,000	59,655
2020	140,000	54,015
2021-2025	800,000	172,931
2026-2030	<u>370,000</u>	<u>16,875</u>
Total	<u>1,820,000</u>	<u>513,441</u>

PARKING SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 5. LAND AND CAPITAL ASSETS, NET

The depreciation and amortization expense for the fiscal years ended June 30, 2015 and 2014 was \$46,190 and \$67,547, respectively.

Following are the changes in capital assets for the year ended June 30, 2015:

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>
Non-depreciable capital assets				
Land	\$3,503,223	\$ -	\$ -	\$3,503,223
Construction in progress	-	109,369		109,369
	<u>\$3,503,223</u>	<u>\$ 109,369</u>	<u>\$ -</u>	<u>\$3,612,592</u>
Depreciable capital assets				
Pay-box stations	148,650	-	-	148,650
Vehicles and equipment	184,192			184,192
Improvements other than building	1,019,303	-	-	1,019,303
Total cost	<u>4,855,368</u>	<u>109,369</u>	<u>-</u>	<u>4,964,737</u>
Accumulated depreciation	(402,246)	(46,190)		(448,436)
Accumulated amortization	<u>(350,175)</u>	<u>-</u>	<u>-</u>	<u>(350,175)</u>
Total depreciation and amortization	<u>(752,421)</u>	<u>(46,190)</u>	<u>-</u>	<u>(798,611)</u>
Capital assets, net	<u>\$4,102,947</u>	<u>\$63,179</u>	<u>\$ -</u>	<u>\$4,166,126</u>

Following are the changes in capital assets for the year ended June 30, 2014:

PARKING SERVICES
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

	June 30, 2013	Additions	Reductions	June 30, 2014
Non-depreciable capital assets				
Land	\$3,503,223	\$ -	\$ -	\$3,503,223
Construction in progress	-	-	-	-
	\$3,503,223	\$ -	\$ -	\$3,503,223
Depreciable capital assets				
Pay-box stations	148,650	-	-	148,650
Vehicles and equipment	177,923	23,323	(17,054)	184,192
Improvements other than building	1,019,303	-	-	1,019,303
Total cost	4,849,099	23,323	(17,054)	4,855,368
Accumulated depreciation	(351,753)	(67,547)	17,054	(402,246)
Accumulated amortization	(350,175)	-	-	(350,175)
Total depreciation and amortization	(701,928)	(67,547)	17,054	(752,421)
Capital assets, net	\$4,147,171	(44,224)	\$ -	\$4,102,947

NOTE 6. PENSION PLAN

A. SUMMARY

WWU offers five defined benefit pension plans and three defined benefit/defined contribution plans: the Washington State Public Employees' Retirement System (PERS) plans 1-3, the Washington State Teachers Retirement System (TRS) plans 1-3, the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) plan 1 and the Western Washington University Retirement Plan (WWURP).

Parking Services employees in eligible positions are participants in WWURP, PERS plans 2 and 3, and LEOFF plan 2. Parking Services contributes to PERS and LEOFF cost sharing multiple-employer defined benefit pension plans administered by the State of Washington Retirement System. Refer to sections B and C of this note for descriptions of the plans. Parking Services contributed approximately \$51,830, \$53,054 and \$49,877 to these plans in fiscal 2015, 2014 and 2013, respectively. An actuarial valuation of the plans for Parking Services as a standalone entity is not available.

Parking Services implemented Statement No. 68 of the Governmental Accounting Standards Board (GASB) *Accounting and Financial Reporting for Pensions* for the fiscal year 2015 financial reporting. Parking Services defined benefit pension plans were created by statutes rather than through trust documents. With the exception of the supplemental defined benefit component of the higher education retirement plan, they are administered in a way equivalent to pension trust arrangements as defined by the GASB.

In accordance with Statement No. 68, Parking Services has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities.

The state Legislature establishes and amends laws pertaining to the creation and administration of all state public retirement systems. Additionally the state Legislature authorizes state agency participation in plans other than those administered by the state.

PARKING SERVICES
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

Basis of Accounting

Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all plans and additions to/deductions from all plan fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for Parking Services, for fiscal year 2014:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (135,382)
Pension assets	25,114
Deferred outflows of resources related to pensions	38,469
Deferred inflows of resources related to pensions	(161,915)
Pension expense/expenditures	(52,828)

Investments

The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB-adopted investment policies for the various asset classes in which the WSIB invests.

Department of Retirement Systems. As established in chapter 41.50 of the Revised Code of Washington (RCW), the Department of Retirement Systems (DRS) administers eight retirement systems covering eligible employees of the state and local governments. The Governor appoints the director of the DRS.

The DRS administered systems that Parking Services offers its employees are comprised of three defined benefit pension plans and one defined contribution plans. Below are the DRS plans that Parking Services offers its employees:

- Public Employees' Retirement System (PERS)
 - Plan 2 - defined benefit
 - Plan 3 - defined benefit/defined contribution

PARKING SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

- Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)
Plan 2 - defined benefit

Although some assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan in accordance with the terms of the plan.

Administration of the PERS and LEOFF systems and plans was funded by an employer rate of 0.18 percent of employee salaries.

The DRS prepares a stand-alone financial report that is compliant with the requirements of Statement 67 of the Governmental Accounting Standards Board. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or online at <http://www.drs.wa.gov/administration/annual-report/>.

Higher Education. As established in chapter 28B.10 RCW, eligible higher education state employees may participate in higher education retirement plans. These plans include a defined contribution plan administered by a third party with a supplemental defined benefit component (on a pay as you go basis) which is administered by the state.

B. DEFINED CONTRIBUTION PLANS

Western Washington University Retirement Plan (WWURP)

Plan Description

The WWURP is a defined contribution single employer pension plan with a supplemental payment, when required. The plan covers faculty, professional staff, and certain other employees. It is administered by WWU. WWU's Board of Trustees is authorized to establish and amend benefit provisions.

Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have at all times a 100% vested interest in their accumulations.

Funding Policy

Employee contribution rates, which are based on age, range from 5% to 10% of salary. WWU matches the employee contributions. All required employer and employee contributions have been made.

Supplemental Component

The supplemental payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. Parking Services makes direct payments to qualified retirees when the retirement benefit provided by the fund sponsor does not meet the benefit goal. During fiscal year ending June 30, 2011, WWU amended the supplemental retirement plan, limiting participation to those individuals who were active participants on June 30, 2011.

Public Employees' Retirement System Plan 3

Plan Description

The Public Employees' Retirement System (PERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to section C of this note for all PERS Plan descriptions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in PERS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions adjusted by earnings and losses from investments of those contributions upon separation from PERS-covered employment.

C. STATE PARTICIPATION IN PLANS ADMINISTERED BY DRS

Public Employees' Retirement System

Plan Description. The Legislature established the Public Employees' Retirement System (PERS) in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by either, February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to PERS Plan 3.

PERS participants joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees, have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3.

Refer to section B of this note for a description of the defined contribution component of PERS Plan 3.

Benefits Provided. PERS plans provide retirement, disability, and death benefits to eligible members.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

PERS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. There is no cap on years of service credit and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months.

PERS Plan 2 members have the option to retire early with reduced benefits.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. There is no cap on years of service credit. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

PERS Plan 3 members have the option to retire early with reduced benefits.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

Contributions. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Contribution requirements are established and amended by state statute.

Members in Plan 2 can elect to withdraw total employee defined benefit contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

Required contribution rates for fiscal year 2014 are presented in the table in section C.1 of this note.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2013 with the results rolled forward to the June 30, 2014 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2013 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.50 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	0.80%
Tangible Assets	5%	4.10%
Real Estate	15%	5.30%
Global Equity	37%	6.05%
Private Equity	23%	9.05%
Total	100%	

The inflation component used to create the above table is 2.70 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the fiscal year 2014 reporting period.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

made at contractually required rates (including PERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/Asset

At June 30, 2014, Parking Services reported \$135,382 for its proportionate share of the collective net pension liability for PERS 2/3. Parking Services' proportion for PERS 2/3 was 0.009 percent, a decrease of 0.0008 percent since the prior reporting period. The proportions are based on Parking Services' contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/Asset to Changes in the Discount Rate. The following presents the net pension liability/asset of the Recreation Center as an employer, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate.

PERS 2/3	
Parking proportionate share of Net Pension Liability (Asset)	
1% Decrease	\$ 564,707
Current Discount Rate	\$ 135,382
1% Increase	\$ (192,543)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

For the year ended June 30, 2014, Parking Services recognized a PERS 2/3 pension expense of \$(47,071). At June 30, 2014, PERS 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Parking Services PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net Difference between projected and actual earnings on pension plan investments	-	143,506
Change in proportion	(26,356)	-
Contributions subsequent to the measurement date	61,265	-
Total	\$ 34,909	\$ 143,506

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30:

PERS 2/3		
2015	\$	(5,857)
2016	\$	(5,857)
2017	\$	(5,857)
2018	\$	(5,857)
2019	\$	(2,928)
Thereafter	\$	-

Law Enforcement Officers’ and Fire Fighters’ Retirement System

Plan Description. The Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF) was established in 1970 by the Legislature. LEOFF retirement benefit provisions are established in chapter 41.26 RCW and may be amended only by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers who were first included effective July 27, 2003, being an exception.

LEOFF is a cost-sharing, multiple-employer retirement system, comprised of two separate defined benefit plans. LEOFF members who joined the system on or after October 1, 1977, are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The board’s duties include adopting contribution rates and recommending policy changes to the Legislature.

Benefits Provided. LEOFF Plan 2 provides retirement, disability, and death benefits to eligible members.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service. FAS is based on the highest consecutive 60 months. Members who retire prior to the age of 53 receive reduced benefits. A cost of living allowance (COLA) is granted based on the Consumer Price Index, capped at 3 percent annually.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

Contributions. LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through legislative appropriations.

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The methods used to determine the contribution requirements are established under state statute.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

Members in LEOFF Plan 2 can elect to withdraw total employee contributions and interest earnings upon separation from LEOFF-covered employment.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. For fiscal year 2014, the state contributed \$55.6 million to LEOFF Plan 2.

Beginning in 2011, when state General Fund revenues increase by at least 5 percent over the prior biennium's revenues, the State Treasurer will transfer, subject to legislative appropriation, specific amounts into a Local Public Safety Enhancement Account. Half of this transfer will be proportionately distributed to all jurisdictions with LEOFF Plan 2 members. The other half will be transferred to a LEOFF Retirement System Benefits Improvement Account to fund benefit enhancements for LEOFF Plan 2 members. However, this special funding situation is not mandated by the State Constitution and this funding requirement could be returned to the employers by a change of statute.

Required contribution rates for fiscal year 2014 are presented in the table in section C.1 of this note.

The following information applies to WWU as a LEOFF 2 employer.

Actuarial Assumptions. The total net pension asset was determined by an actuarial valuation as of June 30, 2013 with the results rolled forward to the June 30, 2014 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2013 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

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June 30, 2015 and 2014

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.50 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	0.80%
Tangible Assets	5%	4.10%
Real Estate	15%	5.30%
Global Equity	37%	6.05%
Private Equity	23%	9.05%
Total	100%	

The inflation component used to create the above table is 2.70 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the fiscal year 2014 reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/Asset

At June 30, 2014, Parking Services reported an asset of \$25,114 for its proportionate share of the collective net pension asset for LEOFF 2. Parking Services' proportion for LEOFF 2 was 0.001892 percent, an increase of 0.001453 percent since the prior reporting period. The proportions are based on Parking Services' contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/Asset to Changes in the Discount Rate. The following presents the net pension liability/asset of WWU as an employer, calculated using the discount rate of 7.50 percent, as well as what

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

the employers' net pension liability/asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate.

LEOFF 2	
Parking's proportionate share of Net Pension Liability (Asset)	
1% Decrease	\$ 10,747
Current Discount Rate	\$ (25,114)
1% Increase	\$ (52,026)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2014, Parking Services recognized a LEOFF 2 pension expense of \$(5,757). At June 30, 2014, LEOFF 2 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Parking Services LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net Difference between projected and actual earnings on pension plan investments	-	18,409
Change in proportion	-	5,122
Contributions subsequent to the measurement date	3,560	-
Total	\$ 3,560	\$ 23,531

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30:

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

LEOFF 2		
2015	\$	(800)
2016	\$	(800)
2017	\$	(800)
2018	\$	(800)
2019	\$	(800)
Thereafter	\$	(1,120)

TABLE 1: Required Contribution Rates

The required contribution rates (expressed as a percentage of current year covered payroll) at June 30, 2014 are as follows:

Required Contribution Rates	Employer (University)			Employee		
	Plan 1	Plan 2	Plan 3	Plan 1	Plan 2	Plan 3
<u>PERS</u>						
State agencies, local governmental units	9.03%	4.98%	4.98% *	6.00%	4.92%	**
Administrative fee	0.18%	0.18%	0.18%			
PERS Plan 1 UAAL	0.00%	4.05%	4.05%			
Total	9.21%	9.21%	9.21%			
<u>LEOFF</u>						
Ports and universities	N/A	8.41%	N/A	N/A	8.41%	N/A
Administrative fee		0.18%				
Total		8.59%				

*Plan 3 defined benefit portion only.

**Variable from 5% to 15% based on rate selected by the member.

N/A indicates data not applicable.

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The university funds OPEB obligations at a university-wide level on a pay-as-you-go basis. Disclosure information, as required under GASB 45, does not exist at department levels, and as a result, the actuarial accrued liabilities (AAL) are not available for auxiliary entities. The University is responsible for the annual payment, the annual required contribution (ARC) is not recorded on Parking Service's financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015 and 2014

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Parking Services Proportionate Share of the Net Pension Liability

Schedule of Parking Services Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 2/3 Measurement Date ended June 30 *	
	2014
Parking Services PERS 2/3 employers' proportion of the net pension liability	0.006698%
Parking Services PERS 2/3 employers' proportionate share of the net pension liability	\$135,382
Parking Services PERS 2/3 employers' covered-employee payroll	\$578,785
Parking Services PERS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.39%
Plan fiduciary net position as a percentage of the total pension liability	93.29%

* As of June 30; this schedule is to be built prospectively until it contains ten years of data.

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REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015 and 2014

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Parking Services Proportionate Share of the Net Pension Liability

Schedule of Parking Services Proportionate Share of the Net Pension Liability Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2 Measurement Date ended June 30 *	
	2014
Parking Services LEOFF 2 employers' proportion of the net pension liability (asset)	0.001892%
Parking Services LEOFF 2 employers' proportionate share of the net pension liability (asset)	(\$25,114)
Parking Services LEOFF 2 employers' covered-employee payroll	\$31,621
Parking Services LEOFF 2 employers' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(79.42%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	116.75%
* As of June 30; this schedule is to be built prospectively until it contains ten years of data.	

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REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015 and 2014

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions						
Public Employees' Retirement System (PERS) Plan 2/3						
Fiscal Year Ended June 30						
<i>Parking</i>						
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll	
2015	\$ 60,351	\$ 61,265	\$ (913)	\$ 655,282	9.35%	
2016						
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						

Notes:
These schedules will be built prospectively until they contain ten years of data.

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REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015 and 2014

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions						
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2						
Fiscal Year Ended June 30						
<i>Parking</i>						
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll	
2015	\$ 3,560	\$ 3,560	\$ 0	\$ 41,440	8.59%	
2016						
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						

Notes:
These schedules will be built prospectively until they contain ten years of data.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Bruce Shepard by:
Senior Vice President Eileen Coughlin, Enrollment and Student Services
Vice President Richard Van Den Hul, Business and Financial Affairs

DATE: December 11, 2014

SUBJECT: **Student Right-to-Know and Clery Act**

PURPOSE: Information Item

Purpose of Submittal:

Provide the Board of Trustees with information regarding Western Washington University's compliance with the federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act.

**Western Washington University
Security and Fire Safety Report Update**

December 2015

Background: In November 1990, the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (referred to as the "Clery Act") was signed into law. As a result, all institutions participating in federal student aid programs are required to:

- Prepare and distribute an annual security and fire safety report to all members of the campus community (<http://www.wvu.edu/vpress/annualsafetyreport.shtml>) which sets forth the law enforcement authority of campus police, includes information on where and how crimes should be reported, and discloses three years' worth of crime trends including alcohol and other drug-related statistics, arrests and disciplinary referrals for the campus, areas immediately adjacent to or running through the campus, and certain non-campus facilities including leased housing and remote classrooms; and
- Provide timely warning to the campus community of crimes which may pose a threat to the safety and/or welfare of students and employees.

In 2014, the Western Alert System, through which timely warnings are conveyed, was utilized on six occasions to send messages to the campus community regarding safety concerns and one time to issue inclement weather warnings. The system is also tested during fall and spring quarters, when the majority of students are on campus.

Security and Fire Safety Report: All information that Western is required to distribute annually to the campus community under state and/or federal mandates is compiled into one publication, the [Security and Fire Safety Report](#). Published each fall, the report includes educational materials, key policies and procedures, resources for students and employees, and an annual summary of campus crime and residence hall fire statistics.

- The Clery Act specifies the crimes/violations that are to be published. These are reflected in the 2015-16 [Security and Fire Safety Report](#), on pages 16-18.

Campus Security Authorities: Staff members who have “significant responsibility for student and campus activities” are required to document any Clery Act-designated crime reported to them for inclusion in Western’s annual campus crime statistics. Western has identified staff members whose positions fall under the Department of Education’s definition of campus security authorities (CSAs). Reports submitted by CSAs are forwarded to University Police for follow-up and verification.

Prevention and outreach efforts

Western has continued its commitment to actively provide outreach and educational programming to the Western community. Prevention and Wellness Services has been providing, and continues to provide, training on bystander intervention to varsity athletic teams, club sports, and to all students via an online tutorial.

Programs to prevent domestic violence, dating violence, sexual assault and stalking are provided to the Associated Students Board and Resource and Outreach Programs Coordinators; University Police; Resident Advisors, students studying abroad (during pre-departure); international students; Peer Health Educators and peer advisors from a variety of programs, and through faculty request to a variety of academic classes. In addition, these prevention efforts are being augmented in order to meet the new requirements in the Campus Sexual Assault Violence Elimination Act (SaVE Act) provision of the Violence Against Women Reauthorization Act (revised 2014).

During the 2014/2015 academic year, all WWU students were offered the opportunity to participate in the HAVEN violence prevention on-line training. Over 10,000 Western students participated in this training. Additionally, for the 2015/2016 academic year, in alignment with Western’s culture and values and in response to a change in the Western’s policy on *Preventing and Responding to Sex Discrimination, Including Sexual Misconduct*, participation in the Haven training is required of all students new to Western.

HAVEN is an interactive training where students have the opportunity to increase skills in creating healthy relationships, explore the importance of consent, and identify the many ways they can help to create a safe campus community. Haven also empowers students to be active bystanders by teaching the skills needed to help prevent sexual violence. It gives the information needed to identify risky situations and offers skills to increase safety for themselves, friends and the community. Students also learn about Western’s resources, reporting options and policies regarding sexual violence.

19. DATE FOR NEXT REGULAR MEETING

- **February 11 & 12, 2016**
 - **in Seattle at the Washington Athletic Club**

20. Adjournment

WESTERN WASHINGTON UNIVERSITY ITEM SUBMITTED TO THE BOARD OF TRUSTEES

TO: Members of the Board of Trustees

FROM: President Bruce Shepard by Provost Brent Carbajal

DATE: December 11, 2015

SUBJECT: **University Academic Presentation – Recreation Degree Program**
Dr. Keith Russell, Department of Health and Human Development

PURPOSE: Presentation

Purpose of the Submittal:

Keith Russell, faculty member in the Department of Health and Human Development, together with Abby Gamble, Hadley Underwood, Brittney Lazaro and Alex Bain, who are students in the program look forward to sharing information with the Board of Trustees about Western's Recreation degree program. The focus of this presentation is to provide an overview of the Recreation Degree Program, including the purpose and intent of the cohort or "Phase" and their commitment to teaching principles of social justice in and out of the classroom. The curriculum consists of four "phases" or curricular sections. All majors begin Phase I spring quarter and continue as a cohort through three additional phases over a period of a year and a half. Phase I consists of introductory foundational courses that all students take. The purpose of Phase I is to give students a broad understanding of leisure services and a firm grounding in the principles and values of the Recreation Program, and an introduction to professional foundations rooted in social justice. Phase II occurs the following winter quarter. While attention to principles and values continue, Phase II is best characterized as the "toolbox" quarter. Understanding and skill are emphasized through courses in management, programming and human relations, as well as four elective courses in specialized areas of programming (outdoor, tourism, community, and therapeutic recreation). The translation of principles of social justice to professional practice is emphasized.

Phase III, a full-time internship, occurs either spring or summer quarter. The internship is a minimum of 10 weeks, but students often complete 12 or more weeks. Through the advising process, they are encouraged to seek internships at the site best suited to meet their professional goals, with the best person to serve as a mentor, and, if possible, in a geographic area that will expand their cultural horizons. Students working toward Therapeutic Recreation Certification meet NCTRC internship standards. Students may do their internship anywhere in the world that is approved by their advisor and meets all university travel regulations. Held fall quarter, Phase IV is their capstone experience in the program. Using their internships as a context, and social justice as a platform, students explore professional trends and issues. Further exploration is done in a far more relevant fashion through seminars in tourism, community development, therapeutic recreation, and adventure programming. Further, they take advanced courses in program evaluation and budget and finance due to the context provided by experiences they had in their internships.

The Phase curriculum, however, is more than just an unconventional structure; it is also a process in which the values and mission that the Recreation Program teaches in its classes are

actively learned through the students' collective experience in building community. Developing and managing relationships ultimately leads to self-awareness, integrity, and interpersonal growth. Each Phase begins with an overnight retreat, where students form bonds of trust and commitment with each other and the faculty. They also discuss goals, expectations, and effective behaviors for creating an optimal learning environment. Retreats are also times to celebrate individual and collective successes and to discuss how to better deal with the inevitable problems and challenges that occur in groups. Needless to say, the retreats are learning laboratories that students later apply to their academic experiences and professional work.

Because of the community nature of the phases, there are daily opportunities for vital learning experiences that we like to refer to as "the curriculum in the curriculum." For instance, all Phase I students plan and lead an overnight camp for nearly 75 teens and adults with developmental disabilities. Most of the students have had little, if any, prior contact with persons who have disabilities. Invariably, it is a profound experience that asks students to engage their hands and hearts, and leaves no one unchanged. Because the Phase curriculum is collectively coordinated by faculty and students, learning activities and field experiences can be planned and implemented to serve learning objectives across the curriculum.

There are other, more mundane, but still vital learning experiences. For instance, the faculty believes that character development is an integral part of students' education. Accordingly, it is not unusual to stop in the middle of a class to discuss the implications of not giving one's best effort or failing to address group dynamics. Again, all of this can be related to behaviors that are relevant to their professional lives. We enjoy reminding our students when they talk about "getting in the real world" that the "real world" includes here, and the habits they develop will transfer to their professional lives. Finally, between 200 and 300 students, families, friends, faculty, and staff conclude with a formal banquet and graduation ceremony at the end of Phase IV. Many students and their families report that this event is more significant than graduation, because their experience at Western Washington University has been largely defined by their time in the Recreation Program.

In the academic year 2009-2010, the faculty began discussing ways to more formally frame the values and beliefs that are taught in and through the Phase program. What emerged from this retreat, and has continued, was a commitment to embracing the principles associated with what is broadly referred to as social justice. In our most recent accreditation process, the reviewers were impressed with our intentional efforts in this area and noted that we were the only accredited program in the country with this commitment. In this way, the faculty has honored the legacy that had guided the program through the decades, while also framing the current and future mission around a more structured and intentional framework. In our program, we begin our discussions about social justice applied to recreation with the simple idea that recreation is a public good that benefits individuals, communities, and society in a variety of ways. Although situations will vary, the entitlement to recreation and leisure, then, is equally relevant to overworked families as it is to unemployed persons, youth at risk, and isolated older adults. Accordingly, students should be able to plan and deliver recreation and leisure services to everyone. Social justice taken to the next level is seen by many as the first principle of democracy and promoting it in a professional context acts to reduce, and eventually, eliminate oppression in whatever form it may appear. In turn, students learn to apply critical thinking skills to recognize where leisure services are not being delivered, what is preventing them from being provided, and how barriers can be removed in order to achieve social justice. When considering social justice action on a particular issue, recreation professionals need to place ethical concerns at the forefront of action, commit to a structural analysis of the problem or task at hand, adopt an activist or ally orientation, and seek identification with others to help address or act on the issue. To conclude, the philosophy of the WWU Recreation Program is grounded in principles of social justice, delivered in a cohort-based curricular structure referred to as the Phase, and designed to develop recreation professionals who think critically about the planning and delivery of recreation and leisure services.



Department of Health and Human Development Recreation Degree Program

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Conducted from a foundation of liberal education and framed on principles of social justice, the Recreation Program prepares students to enhance the quality of individual and community life through the provision of recreation and leisure services for all people.



The 4-quarter cohort program involves overnight retreats, a dedicated classroom, and service learning opportunities, designed to develop a sense of community for students, faculty and community members to facilitate active and engaged learning.



Students spend 240 hours in leadership and 400 hours during their Phase III internship experience while in the program

38,400 hours a year of service





Each year the program puts on a two-day camp called Camp T.E.A.M for 60 persons with disabilities and their caregivers

Each year our Ecotourism students visit Neah Bay and spend three days with the Makah and share stories and experiences about sustainable tourism



Nepal

Rare Earth Adventures

North Carolina Outward Bound

YMCA

Max Higbee Center

Child Study and Treatment Center

Center for Medically Fragile Children

American Lake Veterans Administration

Boys and Girls Club

Student Conservation Association

Higher Ground Serving Veterans

Palau

Wild Whatcom

New Haven Residential Treatment Center

Student Conservation Association

....on **Genuineness**

<https://www.youtube.com/watch?v=K97wxhYldAk&feature=youtu.be>

